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2020 Specialty Pharmacy Trend Report Leading Health System Executive Brief

TheAcademy

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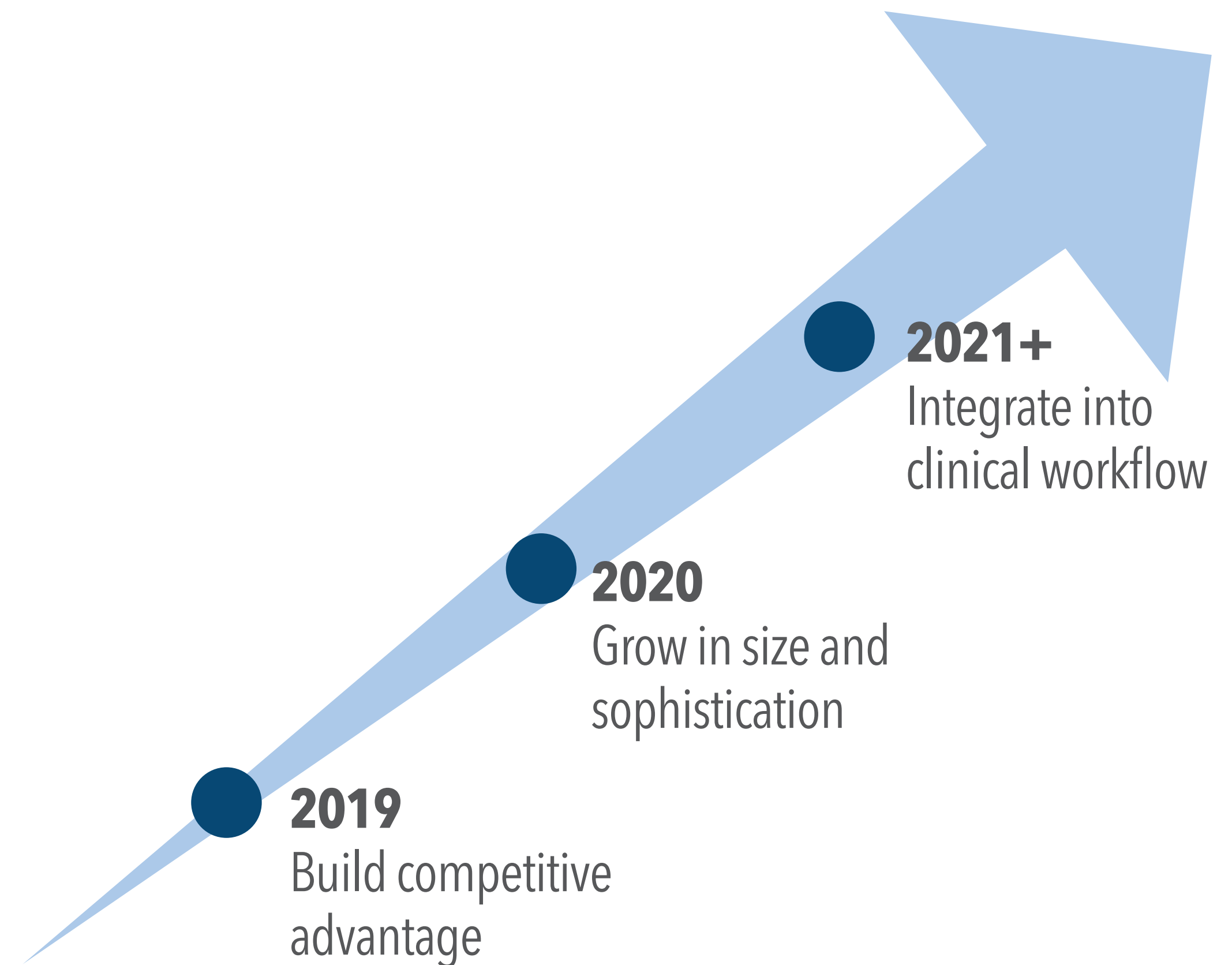
Introduction

Global spending in the pharmaceutical market is expected to exceed \$1.5 trillion by 2023, with most developed healthcare markets expected to spend close to 50% of their total drug spending on specialty pharmaceuticals.¹ In the US, spending on specialty pharmaceuticals as a percentage of all drug spending has increased from 44.7% in 2018 to 47.7% in 2019, despite only 2% of the population utilizing specialty drugs.²

As Leading Health Systems (LHS) face growing pharmacy costs and margin pressures, aligning the financing and delivery of healthcare has never been more critical. In recent years, many LHS have pivoted toward building competitive in-house specialty pharmacies in a market largely dominated by payer, PBM-owned, and independent specialty pharmacies. LHS are now examining how to expand their specialty pharmacies in size and sophistication. To date, LHS have experienced increases in the utilization of their specialty pharmacies, overall patient census, and the rate of internal prescription capture among their own providers. As the use of specialty medications grows, LHS will continue to face challenges with maintaining access to payer networks and medications, as well as optimizing technology and analytics to support their pharmacy operations. As the estimated 240+ health system-owned specialty pharmacies look to the future, some are pursuing strategies which aim to more closely integrate pharmacy services with established care delivery pathways in order to optimize continuity of care.³ Other LHS continue to evaluate whether their pharmacy strategy is best served by building capabilities internally, partnering, or outsourcing.

The Academy continues to annually track trends across top priorities and challenges for health system pharmacy leaders. Building on the previous year's [report](#), the following report captures directional trends in the LHS specialty pharmacy market.

Tracking Trends in LHS-Owned Specialty Pharmacy



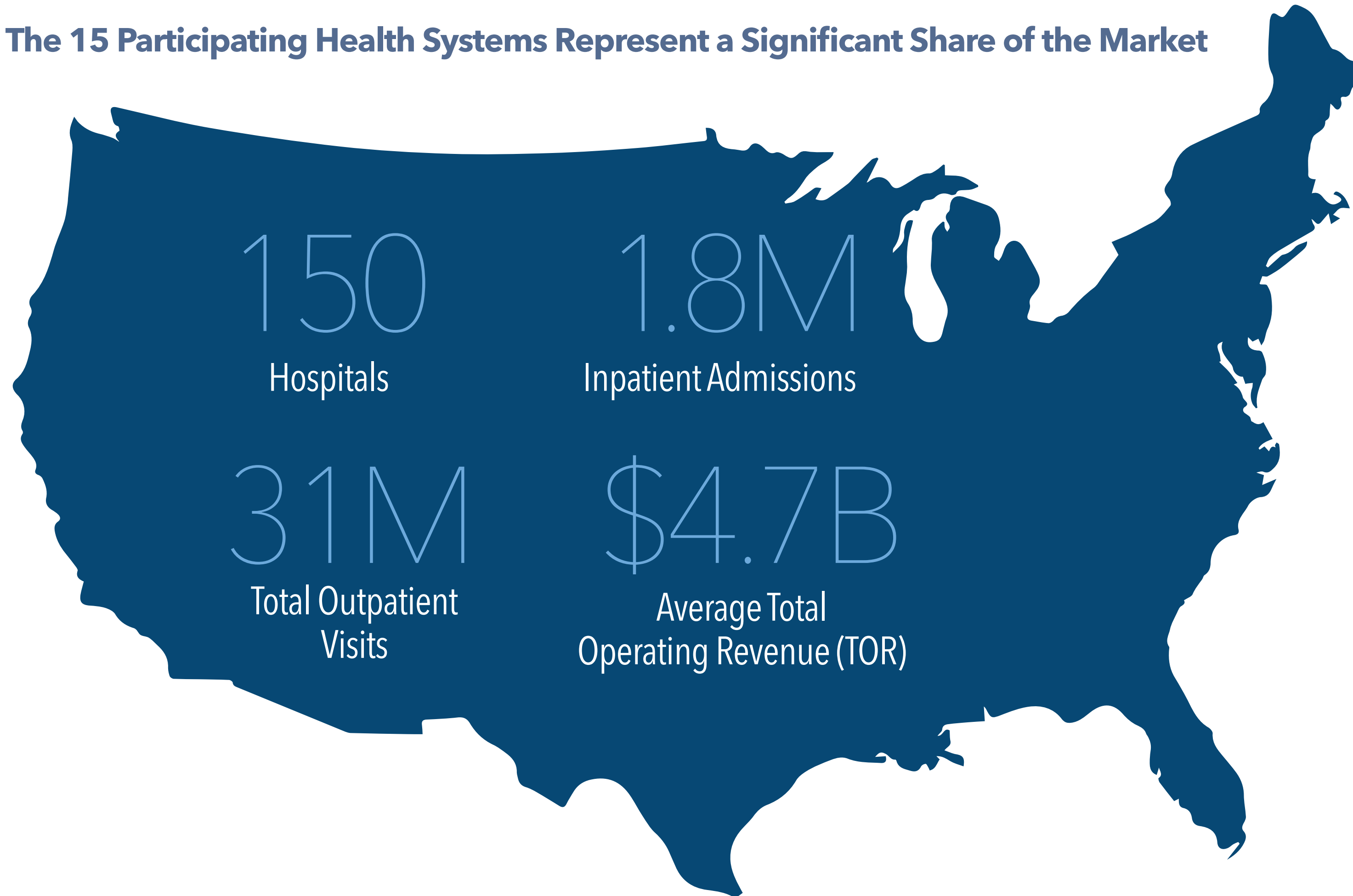
¹ IQVIA, "The Global Use of Medicine in 2019 and Outlook to 2023."

² Express Scripts, "2019 Drug Trend Report."

³ The Academy Proprietary Database. 2020.

Perspectives Represent Significant Share of US Healthcare Market

The 15 Participating Health Systems Represent a Significant Share of the Market



Health System Size (TOR)



Small
<\$2B - **21%**



Medium
\$2-5B - **36%**



Large
>\$5B - **43%**

Health Systems by Region

7% West

36% Southeast

7% Midwest

21% Northeast

29% Southwest

Respondent Roles

Chief Pharmacy Officer

System Director, Specialty Pharmacy

VP, Specialty and Retail Pharmacy

VP, Pharmacy Services

Note: Total Operating Revenue (TOR): Defined as all revenue deriving from both health plan (if applicable) and patient care. All data and findings included in this report are reflective of survey responses from executives at Leading Health Systems. The report is a compilation of quantitative survey data (n=14) and qualitative insights (n=6) to provide perspectives for 15 unique health systems. For additional methodology details, see page 30 of this report. Percentages may not add to 100 in all cases due to rounding.

Key Trends

1

LHS have been successful in growing their specialty pharmacies, measured by increases in utilization, growth in the overall patient census, and increases in internal prescription capture rates.

- The proportion of LHS reporting that efforts to increase the utilization of their specialty pharmacy are “good” or “outstanding” has steadily increased from 54% in 2017 to 85% in 2020.
- In 2020, 46% of LHS report growth in their specialty pharmacy patient census of 51-75% in the past year, indicating significant acceleration since 2017, where over half (57%) of LHS reported growth of 0-10%.
- Nearly all (91%) of surveyed LHS report that the percentage of their own providers prescribing to their in-house specialty pharmacy has increased over the past year.

2

Access to payer contracts, access to specialty medications, and optimizing technology for clinical workflow and operations remain top priorities for LHS specialty pharmacies.

- Access to payer contracts has continued to grow in importance for LHS, and remains the top priority for specialty pharmacy leaders - up from 40% in 2017 to 77% in 2020.

3

As the specialty pharmacy market expands, LHS are re-evaluating growth strategies and the degree to which pharmacy services are integrated into care pathways.

- LHS continue to examine strategic plans for specialty pharmacy based on internal core competencies, the competitive landscape within their geographical markets, and patient/payer mix. Some LHS seek to closely integrate pharmacy services into the clinical care process in order to maximize continuity of care, access to medications, and medication adherence.

2020: Growth in Size and Sophistication

Tracking trends in LHS specialty pharmacy from 2017-2020

Most LHS Specialty Pharmacies are in the Growth Stage

Most health systems self-report that they are focused on growing and scaling their specialty pharmacy, while also improving capabilities and delivering optimal patient outcomes

Stages of Maturity Across LHS-Owned Specialty Pharmacy Programs

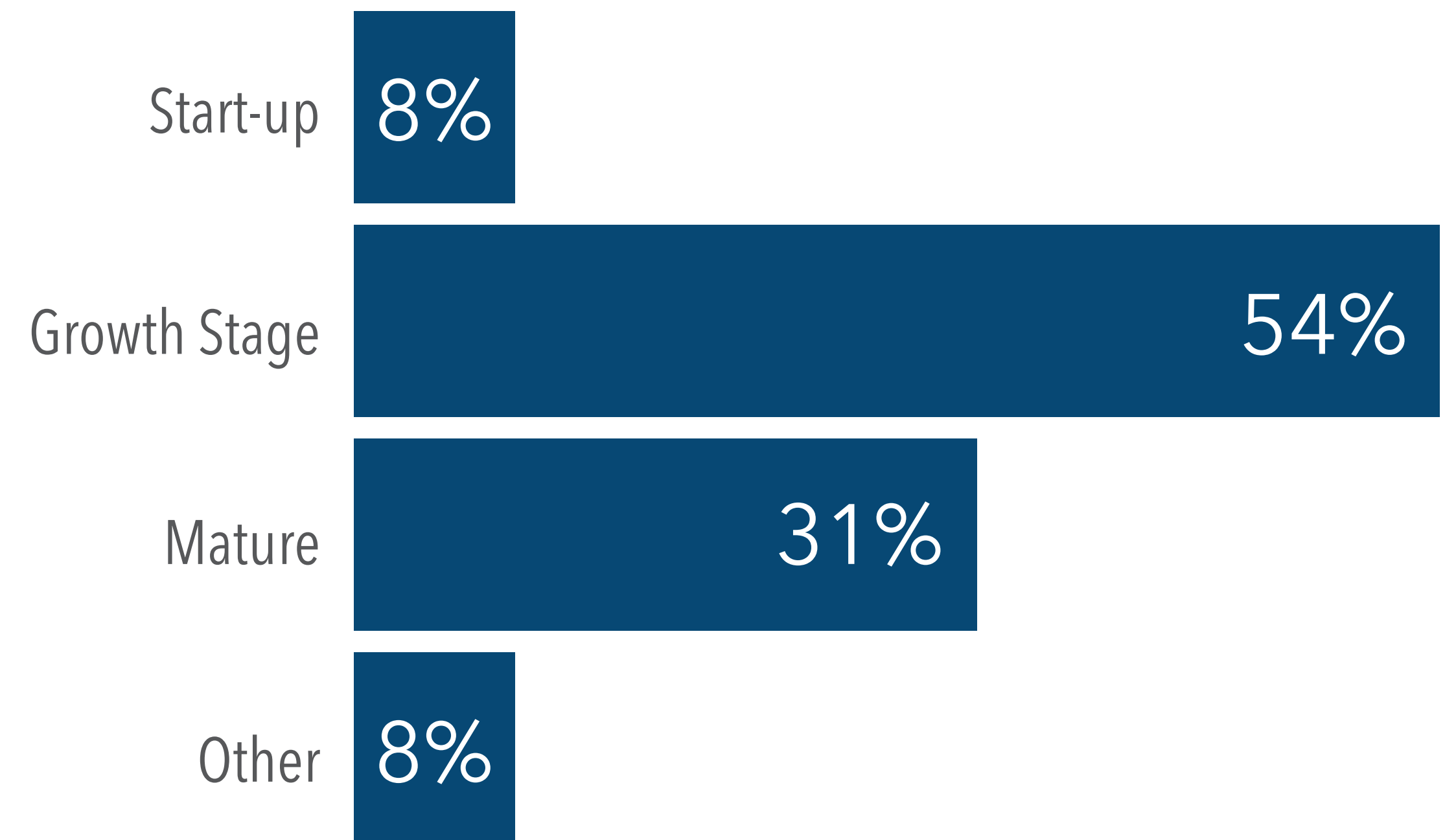
Start-up: The specialty pharmacy program is relatively new, and in the early stages of building its capabilities and services.

Growth Stage: The specialty pharmacy program is established, focused on growing revenue and its patient base, and expanding into additional markets.

Mature: The specialty pharmacy program is large and/or well-established, and focused on innovation, disruption, and market leadership.

Other: Responses included: late growth stage/early maturity, and too early to report.

LHS-Owned Specialty Pharmacy Maturity, Self-Reported (2020)



**Percentages may not equal 100 due to rounding.*

LHS Specialty Pharmacies Vary in Size

Amid the broader growth in the specialty pharmacy market, LHS specialty pharmacies operate at varying levels of revenue

Most Specialty Pharmacies Are Mid-Size, Growth Stage

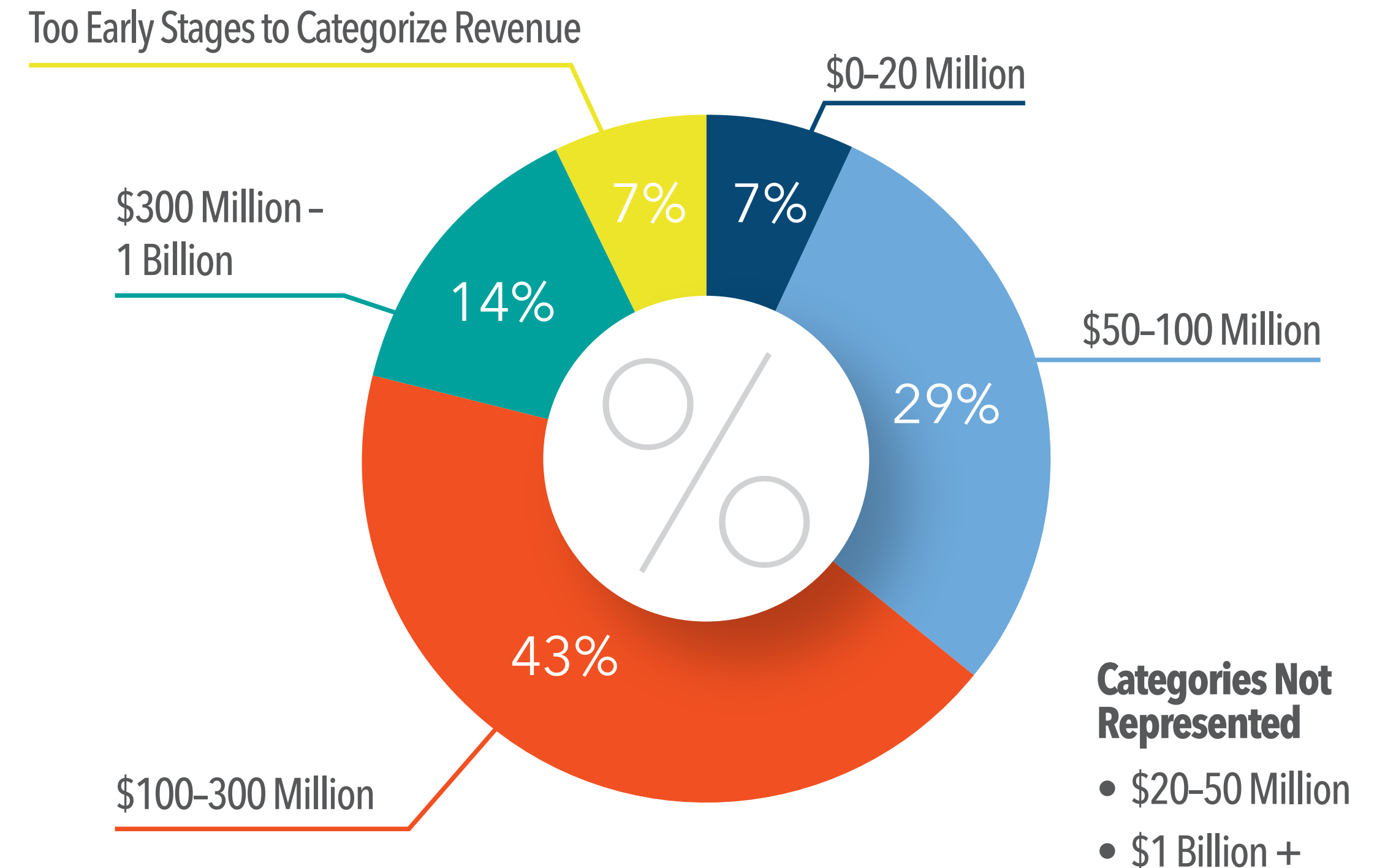
Most LHS specialty pharmacies (72%) report annual gross revenue of between \$50 and \$300 million, with smaller proportions in the lower ranges (7% with revenue from \$0-20 million) and upper ranges (14% with revenue from \$300 million - \$1 billion). Given that over half (54%) of LHS specialty pharmacies self-report as 'growth stage,' one would expect that average revenue will continue to expand in the coming years.

In order to successfully grow their specialty pharmacies, LHS are focusing on increasing their margins, capturing more internal provider prescriptions, and growing their patient base. LHS of all sizes and revenue levels continue to face challenges around access to payer networks and specialty medications.

"My chief concern is to make sure our pharmacy is growing in size and sophistication, fast enough to remain relevant and competitive in this rapidly tightening space."

- Director of Specialty Pharmacy, Leading Health System

Annual Specialty Pharmacy Gross Revenue Across LHS (2020)

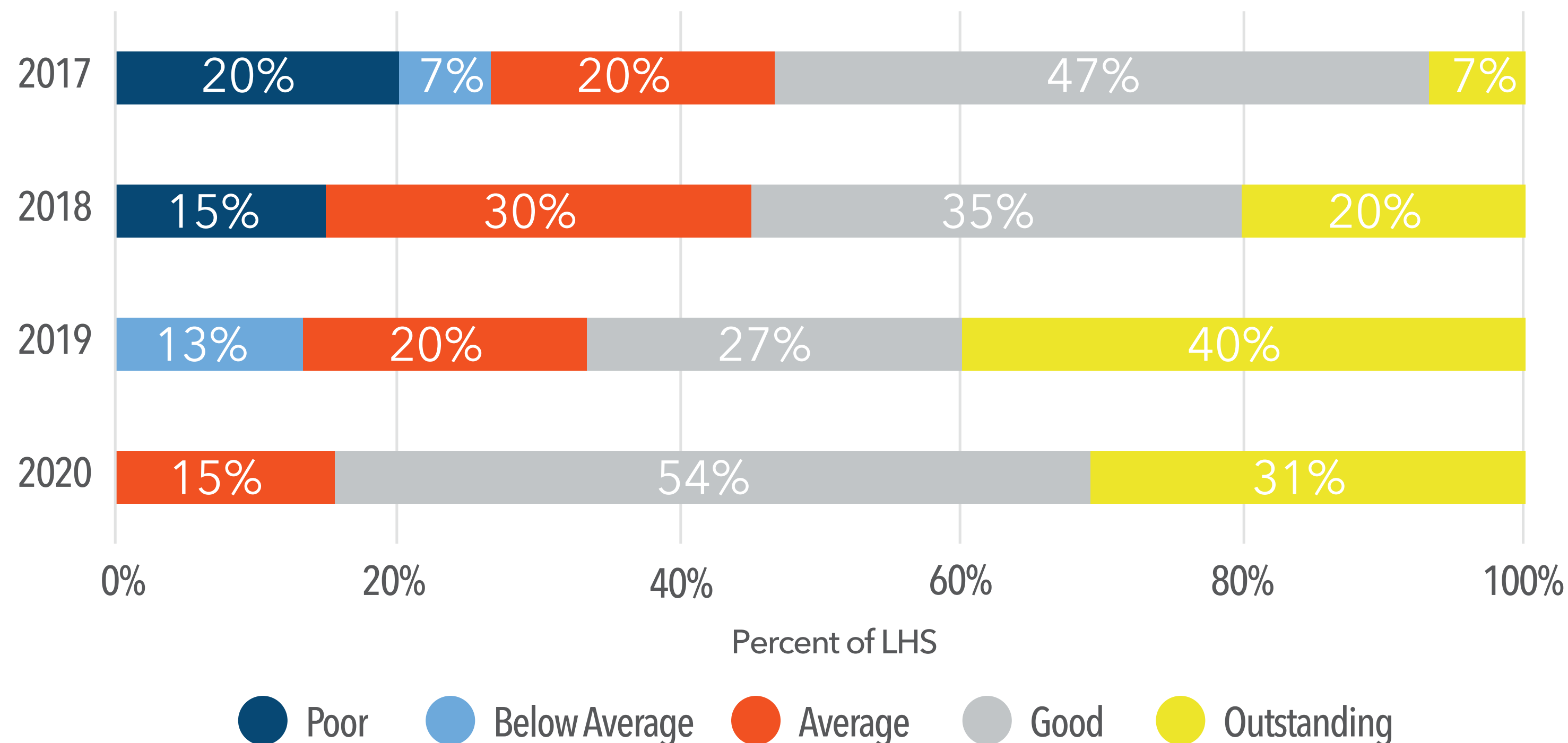


*Percentages may not equal 100 due to rounding.

Steady Improvement in Growing Utilization of Specialty Pharmacy

Increasing success in specialty pharmacy utilization reflects growth in internal pharmacy capacity among LHS, as well as growth in the broader specialty pharmacy market

LHS Success in Driving Growth in Utilization of Specialty Pharmacy, Self-Reported (2017-2020)



*Percentages may not equal 100 due to rounding.

Positive Trends for LHS in Pharmacy Usage

The proportion of LHS who report that their efforts to grow the utilization of their specialty pharmacy were “good” or “outstanding” has steadily increased, from 54% in 2017 to 85% in 2020.

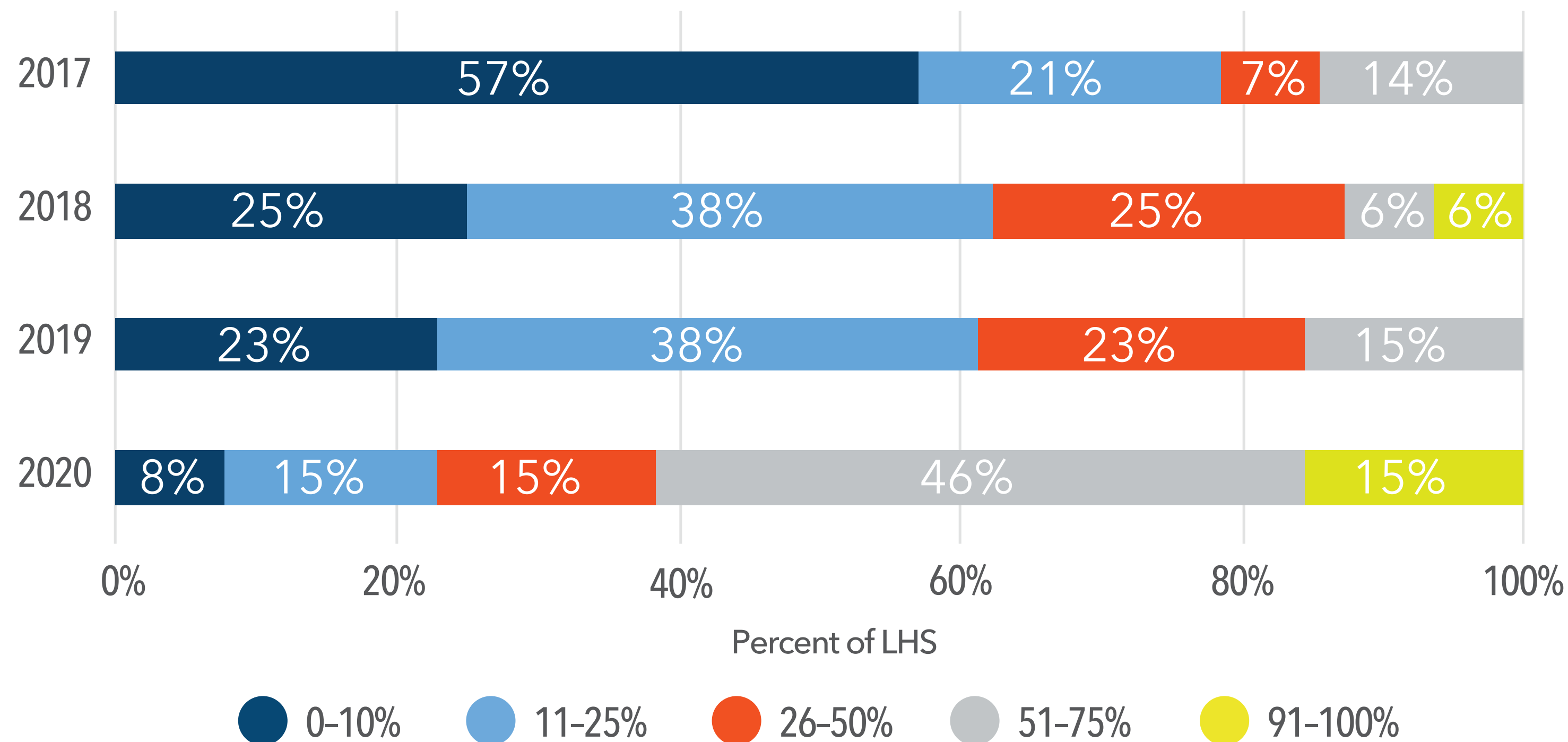
LHS executives attribute this growth to three driving factors:

- LHS’ shift in strategic focus after recognizing that specialty medications have become increasingly important to achieve better clinical outcomes for patients with difficult-to-treat or rare diseases, as demonstrated by growth in the global specialty pharmacy market, at large.
- LHS becoming more mature in their care delivery models, and improving the integration of pharmacy into care delivery, with many LHS seeing improvements in medication adherence, patient outcomes, and access to medications.
- LHS’ pursuit of growth in pharmacy revenue has resulted in an increased focus from leaders on encouraging internal providers to prescribe to their specialty pharmacies, retaining a greater number of scripts within the health system.

Accelerating Growth in Patient Census

Growing the specialty pharmacy patient census presents challenges for LHS around workforce management and supply chain, as well as opportunities for improving patient outcomes and increasing revenue

Growth in LHS Specialty Pharmacy Patient Census, Self-Reported
(2017-2020)



Substantial Growth in Patient Census

Most LHS have seen substantial growth in their specialty pharmacy patient census in the past year, and that growth has been accelerating since 2017. In 2017, over half (57%) of LHS reported that their specialty pharmacy patient census had grown between 0-10% in the past year, while in 2020 nearly two-thirds (61%) reported growth of at least 51% in the previous year.

LHS report that the growth in their specialty pharmacy patient census provides an opportunity to better serve a larger amount of patients, and further strengthen internal capacity for pharmacy services. Achieving increased provider buy-in and keeping more prescriptions in-house also provides LHS with a revenue growth opportunity.

The challenges LHS face with growing their patient census continue to center around workforce management and supply chain. As the volume of patients and prescriptions continues to increase, LHS' staff and supply chain face increased pressure.

*Percentages may not equal 100 due to rounding.

Success in Increasing Internal Prescription Capture Rates

Many LHS have experienced significant growth in the percentage of their own providers prescribing to their specialty pharmacy within the past year, indicating growing success in prescription capture

Success in Internal Provider Pharmacy Use

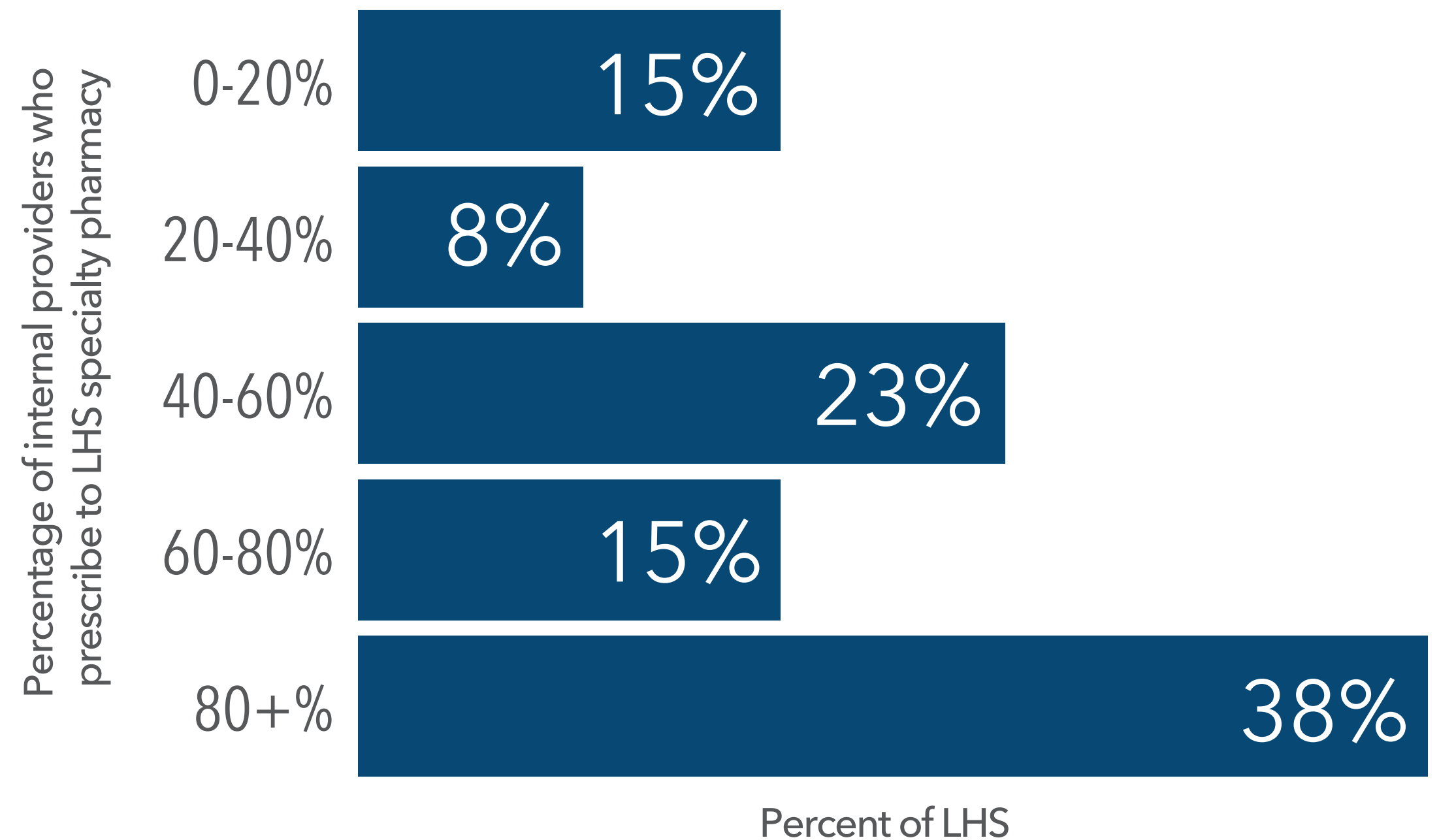
Nearly all (91%) of surveyed LHS report that the percentage of their own providers prescribing to their specialty pharmacy has increased over the past year. This growing success in prescription capture reflects LHS' strategic focus on strengthening internal capabilities and processes for specialty pharmacy, and achieving buy-in among clinical staff on the value of prescribing in-house. Some LHS executives expressed that this growing success in prescription capture rates and internal prescribing behavior may also be an indicator of the strong internal messaging and organizational presence of the pharmacy group.

Some LHS found value in employees filling their own prescriptions through their in-house specialty pharmacy as a means to build up specialty pharmacy expertise and capacity, particularly when in the early stages of specialty pharmacy growth.

“One of the key levers of success in specialty pharmacy is capture - marketing is a big part of that.”

- Vice President, Pharmacy Services, Leading Health System

Growth in LHS' Internal Prescription Capture, Self-Reported (2020)

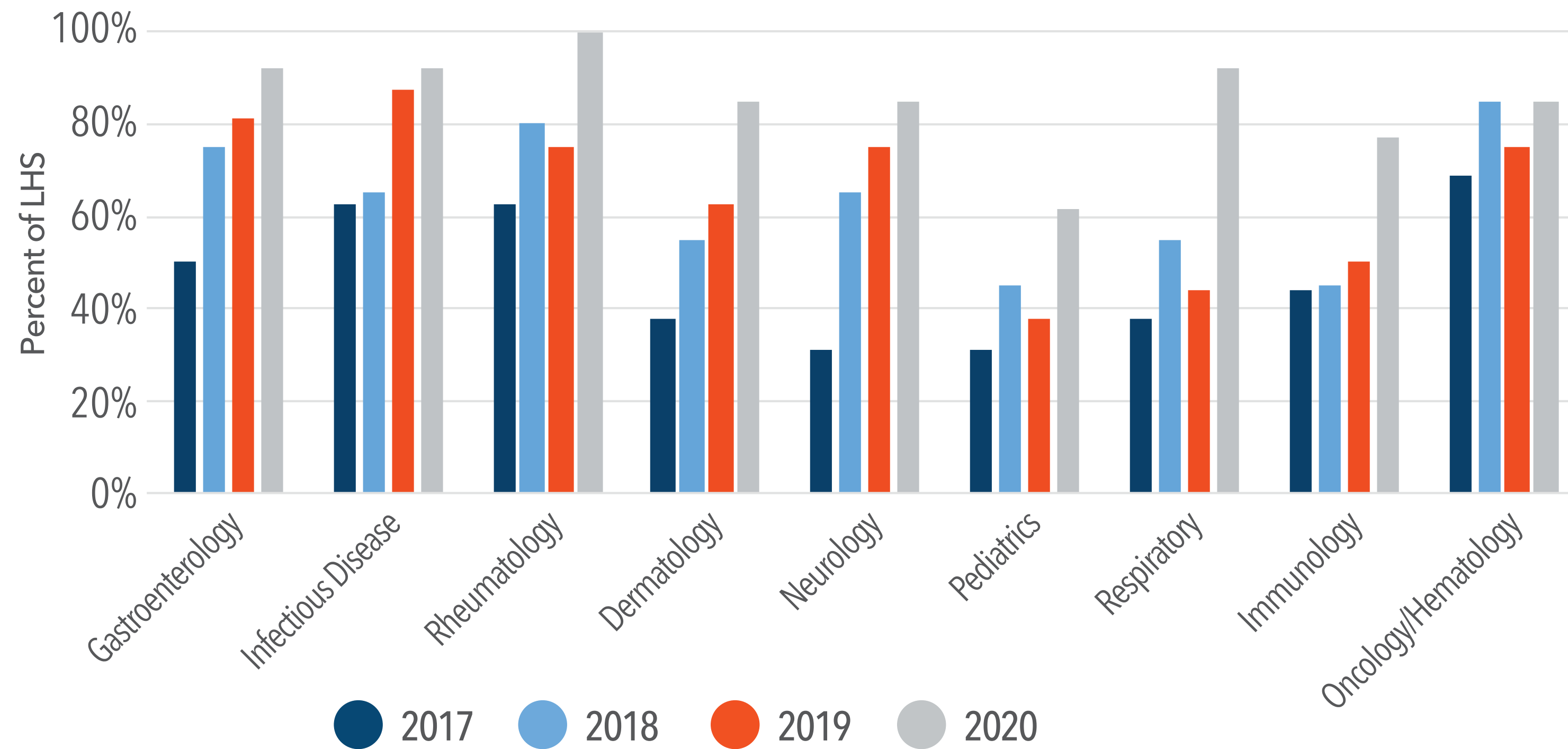


**Percentages may not equal 100 due to rounding.*

Continued Expansion of Disease States Serviced

As LHS grow and mature their specialty pharmacy business, they are continuing to broaden the range of disease states they serve through their specialty pharmacies

Disease States Serviced in LHS Specialty Pharmacy
(2017-2020)



*Percentages may not equal 100 due to rounding.

Significant Increase in Disease States Serviced

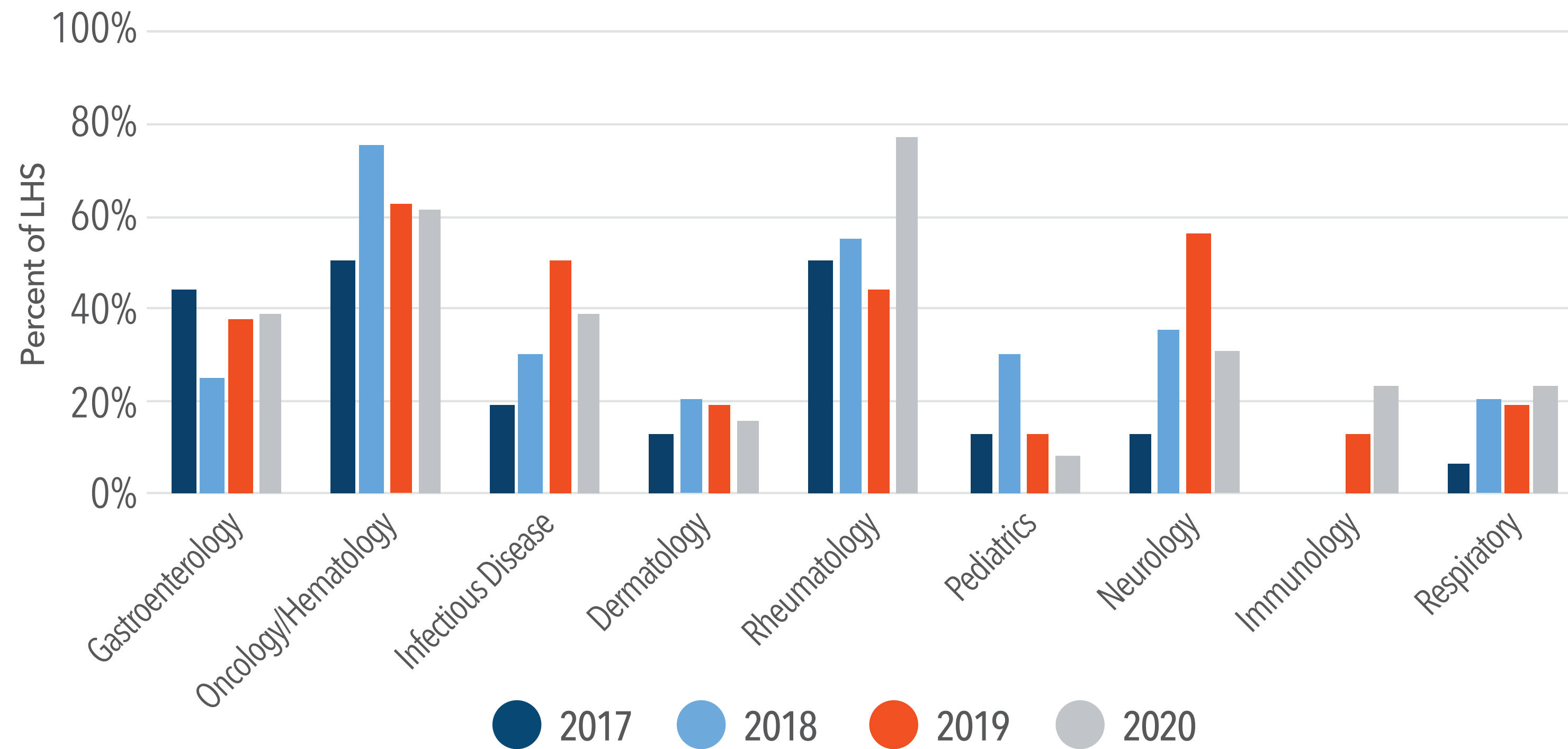
In 2020, LHS expanded the number of disease states serviced by their specialty pharmacies, both in breadth and depth. In 2017, the average LHS specialty pharmacy serviced 47% of the nine commonly serviced disease states, while in 2020, that number rose to 85%. This continued expansion may be an indication of LHS' growing footprint in the specialty pharmacy space, as well as the advantage that health system-centered specialty pharmacies offer in continuity of care compared to non-health system-centered specialty pharmacies.

LHS executives indicate several factors which affect an LHS' ability to service a particular disease: payer contracting, medication availability/access, and patient mix. These factors, especially access to payer contracts and Limited Distribution Drugs (LDDs), are constantly in flux, leading to variation year-over-year in LHS' ability to service particular diseases.

Oncology, Rheumatology Have Produced Steady Growth

Oncology and Rheumatology continue to dominate LHS specialty pharmacy as top drivers of growth, although the rate of growth in oncology may be slower than in previous years

**Disease States Driving Growth in LHS Specialty Pharmacy
(2017-2020)**



*Percentages may not equal 100 due to rounding.

Oncology and Rheumatology Drive Growth

Since 2017, Oncology and Rheumatology have consistently remained the top two disease states driving growth in LHS specialty pharmacy. Growth in Neurology decreased significantly from 2019, perhaps partially reflecting a decline in the pipeline of drugs to treat neurodegenerative diseases such as Alzheimer's and Parkinson's, following the failure of several high-profile clinical trials.¹

The overall growth in Oncology spending across LHS specialty pharmacies is slowing somewhat, but is still significant. There has also been an increase in Oncology clinical trial activity, which may be due in part to excitement and optimism around the growth and adoption of precision medicine therapies.²

¹ New York Times, "An Alzheimer's Treatment Fails," 2020.

² Genentech, "2019 Oncology Trend Report."

2020 Strategic Priorities and Challenges

Top 2020 Priorities Include Payer Contracts & Medication Access

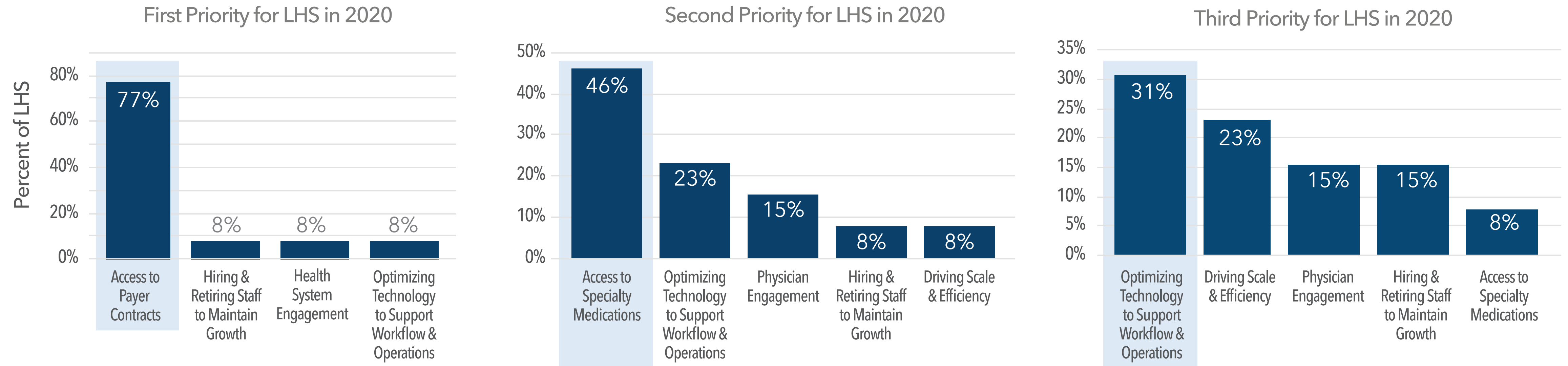
Access to payer contracts and specialty medications remain top priorities, and have continued to increase in importance as LHS seek to compete with established players and scale their specialty pharmacies

The importance of gaining access to payer contracts has continued to grow for LHS, and remains the top priority for specialty pharmacy leaders - up from 40% in 2017 to 77% in 2020. As health systems become more experienced in their specialty pharmacy operations, their top priorities may broaden to also encompass workflow optimization and increasing the usage of data analytics.

"We can't just wait for Jeff Bezos to decide how he's going to change pharmacy, we need to do it ourselves."

- Director, Pharmacy Services, Leading Health System

Specialty Pharmacy Priority Hierarchy Across LHS (2020)



*Percentages may not equal 100 due to rounding.

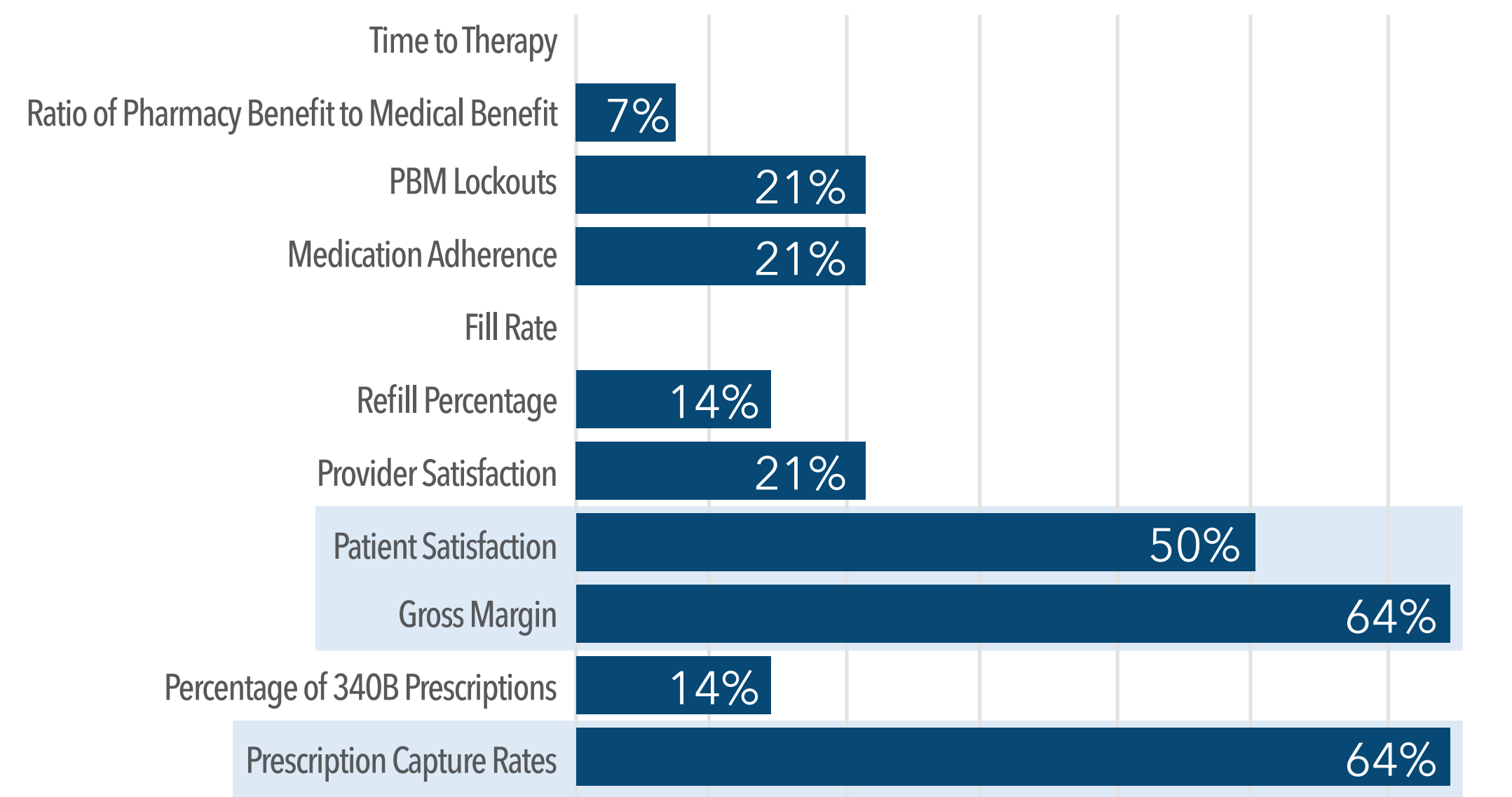
Margin, Prescription Capture, Patient Satisfaction are Top Metrics

LHS track a wide range of metrics, but prioritize a much narrower subset of metrics deemed critical for specialty pharmacy success

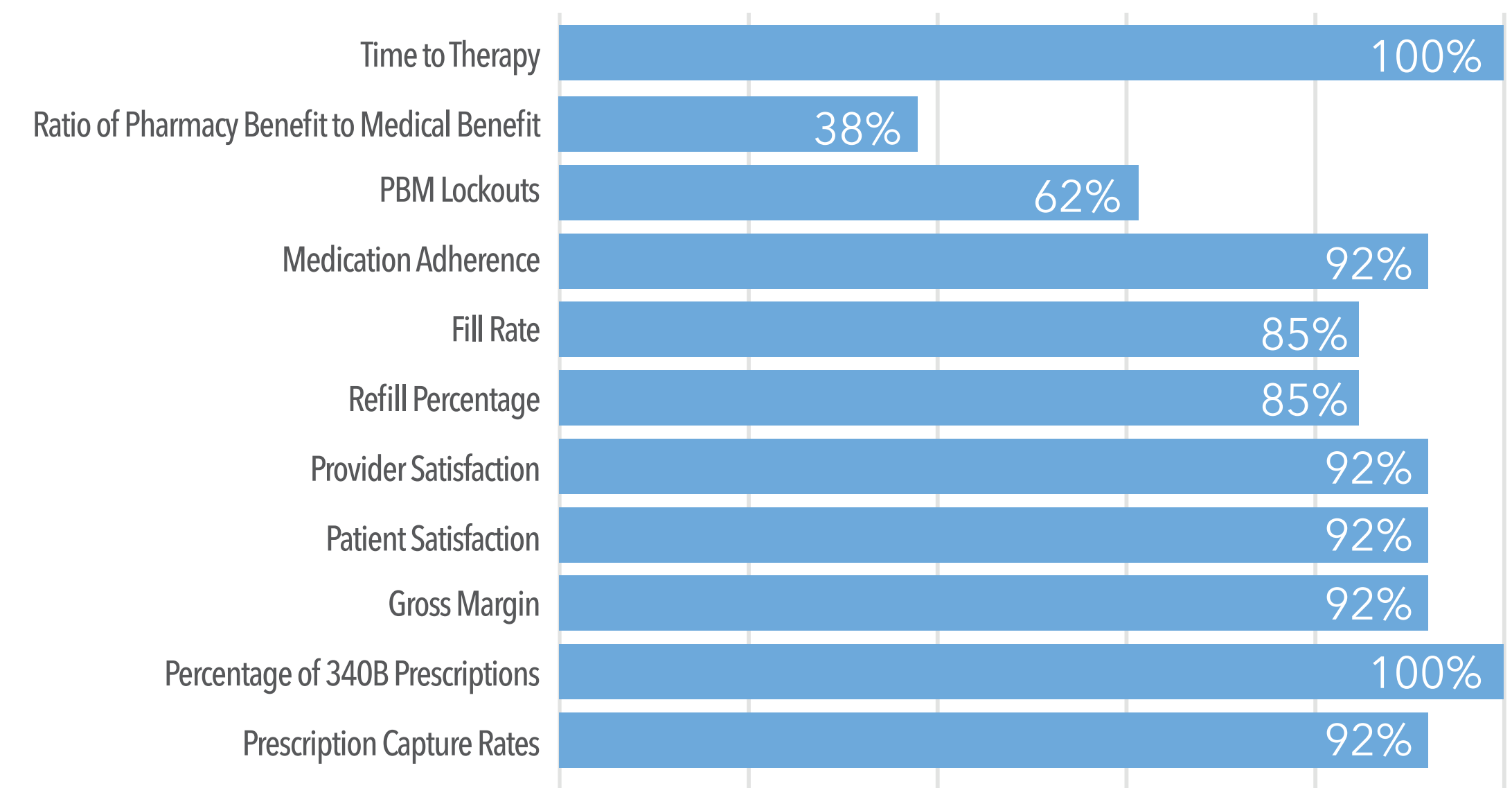
The metrics LHS use to track the success of their specialty pharmacy strategy are broad, including prescription fill rates, medication adherence, percentage of 340B prescriptions, etc. LHS do, however, prioritize a much narrower subset of three key metrics to track success, including gross margin (64%), prescription capture rates (64%), and patient satisfaction (50%). LHS' prioritization of these metrics demonstrates LHS' continued focus on achieving stability and financial health for their specialty pharmacies.

In addition, nearly all LHS (92%) have a dedicated pharmacy staff member who focuses on tracking these metrics using data analytics. As LHS specialty pharmacies continue to grow in size and sophistication, analytical capabilities may increase in importance, allowing LHS to further maximize the efficiency of their operations.

Three Most Important Metrics for LHS Specialty Pharmacies (2020)



Metrics LHS Specialty Pharmacies Track (2020)



*Percentages may not equal 100 due to rounding.

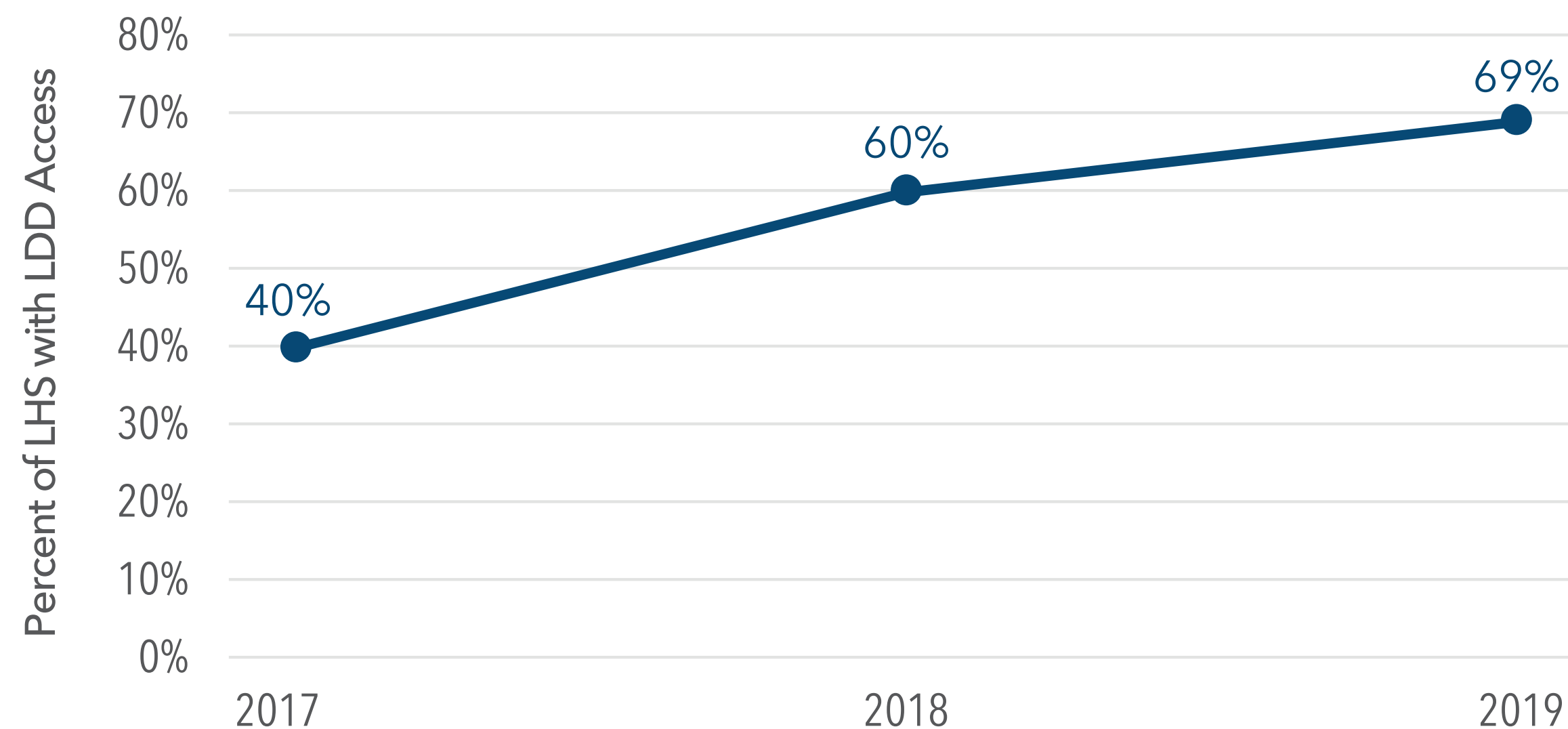
Access to Limited Distribution Drugs Remains a Challenge

While overall access to LDDs has steadily improved, many LHS still report difficulties in obtaining the LDDs that they need, primarily driven by a lack of access to payer networks

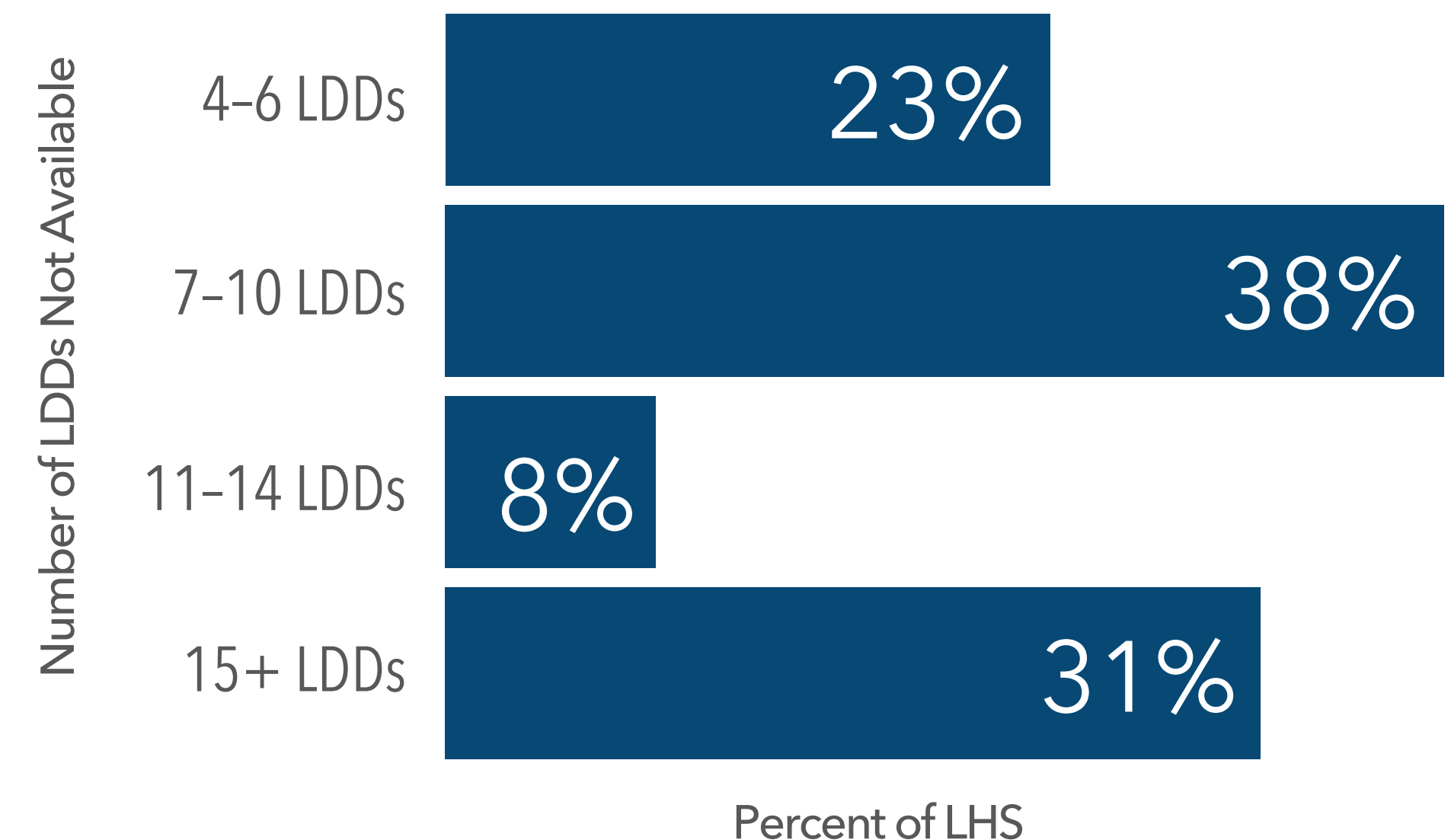
Sufficient access to Limited Distribution Drugs (LDDs) is foundational to LHS success and sustainability in the specialty pharmacy market. Overall, health system access to LDDs has continued to increase since 2017, but challenges around certain narrow-network drugs remain.

LHS with specialty pharmacies in the early stages of development report the greatest difficulties in accessing LDDs, with many reporting that there are 15 or more LDDs to which they do not currently have access. This may reflect the barriers to entry in the specialty pharmacy space, particularly around establishing relationships with payer networks and growing the prescription capture rate.

LHS Access to LDDs
(2017-2019)



Number of LDDs LHS Are Unable to Access
(2020)



*Percentages may not equal 100 due to rounding.

There is Interest in Value-Based Contracting, Yet Little Action

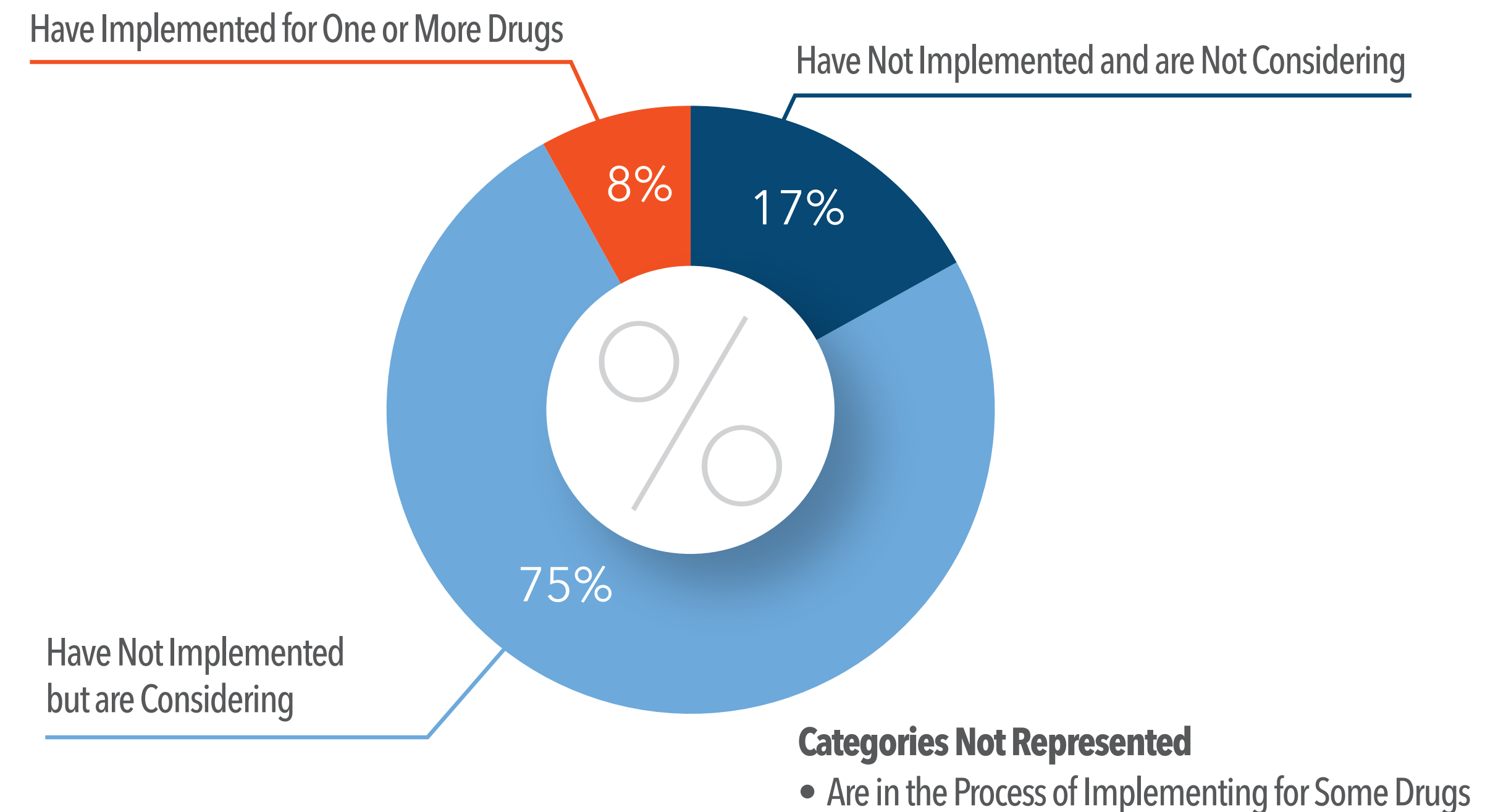
There is broad interest in value-based contracting with pharmaceutical companies, but few LHS have significant value-based contracts currently in place

Value Contracting for Pharma Still in Early Stages

Three-quarters of LHS (75%) report that they have not currently implemented value-based contracts with pharmaceutical companies, but are considering doing so. LHS executives indicate a number of reasons why LHS may be cautious in implementing value-based contracting. First, a large-scale, proven model for this type of contracting does not yet currently exist in the US, though there have been examples of analogous contracts for medical devices,¹ and analogous discussion around how laboratory and pathology services can support LHS in their move towards value-based models.²

Second, the general trend toward increased value-based contracting is steady, but there are still mixed incentives for assuming full risk in the value-based contracting approach, given the current predominance of fee-for-service payment models. Third, the regulatory environment continues to evolve, with uncertainties remaining around the degree to which future healthcare delivery and payment models will facilitate LHS' ability to successfully execute value-based contracts.³ For example, Medicaid best-price rules and anti-kickback provisions under the Stark rule may need to be adjusted to better accommodate experiments in value-based payment arrangements.³

Proportion of LHS Participating in Value-Based Pharmaceutical Contracts (2020)



*Percentages may not equal 100 due to rounding.

¹ Medtronic, "Risk-Based Contracting & Process Innovation."

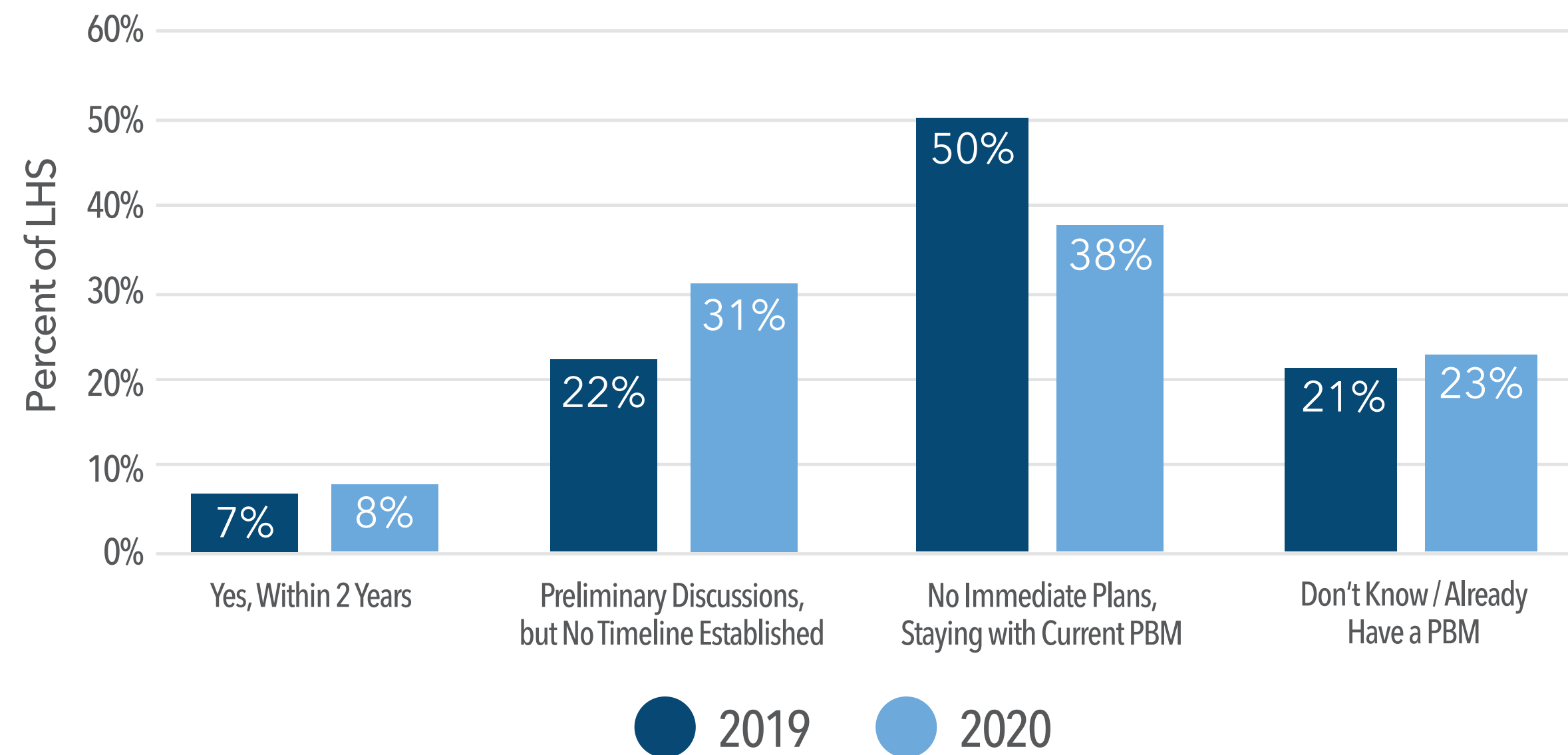
² Clinical Lab 2.0. "Northwell Health: the 10-year outcomes after deciding to keep the lab."

³ USC-Brookings Initiative for Health Policy, "Reining in Pharmaceutical Costs."

Many LHS Considering Starting a PBM, but Few are Taking Action

Most LHS do not have immediate plans to start an in-house Pharmacy Benefit Manager (PBM), yet many have begun preliminary discussions and considerations

LHS Perspectives on Starting In-house PBM
(2019-2020)



*Percentages may not equal 100 due to rounding.

LHS Weigh Challenges and Opportunities with In-house PBMs

Many LHS executives recognize the potential value in starting an in-house PBM, yet have no immediate plans to do so in the near future. However, the proportion of LHS in preliminary discussions (without having an established timeline) around starting their own PBM has increased slightly, from 22% in 2019 to 31% in 2020. There has also been a corresponding decrease in the proportion of LHS who state that they have no immediate plans to start a PBM, from 50% in 2019 to 38% in 2020. The proportion of LHS who are planning on starting their PBM within the next two years has remained relatively steady, at 8% in 2020 compared to 7% in 2019.

While starting a PBM can present significant challenges for LHS around building administrative capacity, raising capital, and breaking into networks characterized by long-standing relationships, LHS-owned PBMs also present several attractive opportunities. LHS may seek to use their own PBM to better align financial incentives with strategic goals, create more transparency in the drug pricing process, and be more effective in catering to the unique needs of their patient populations.

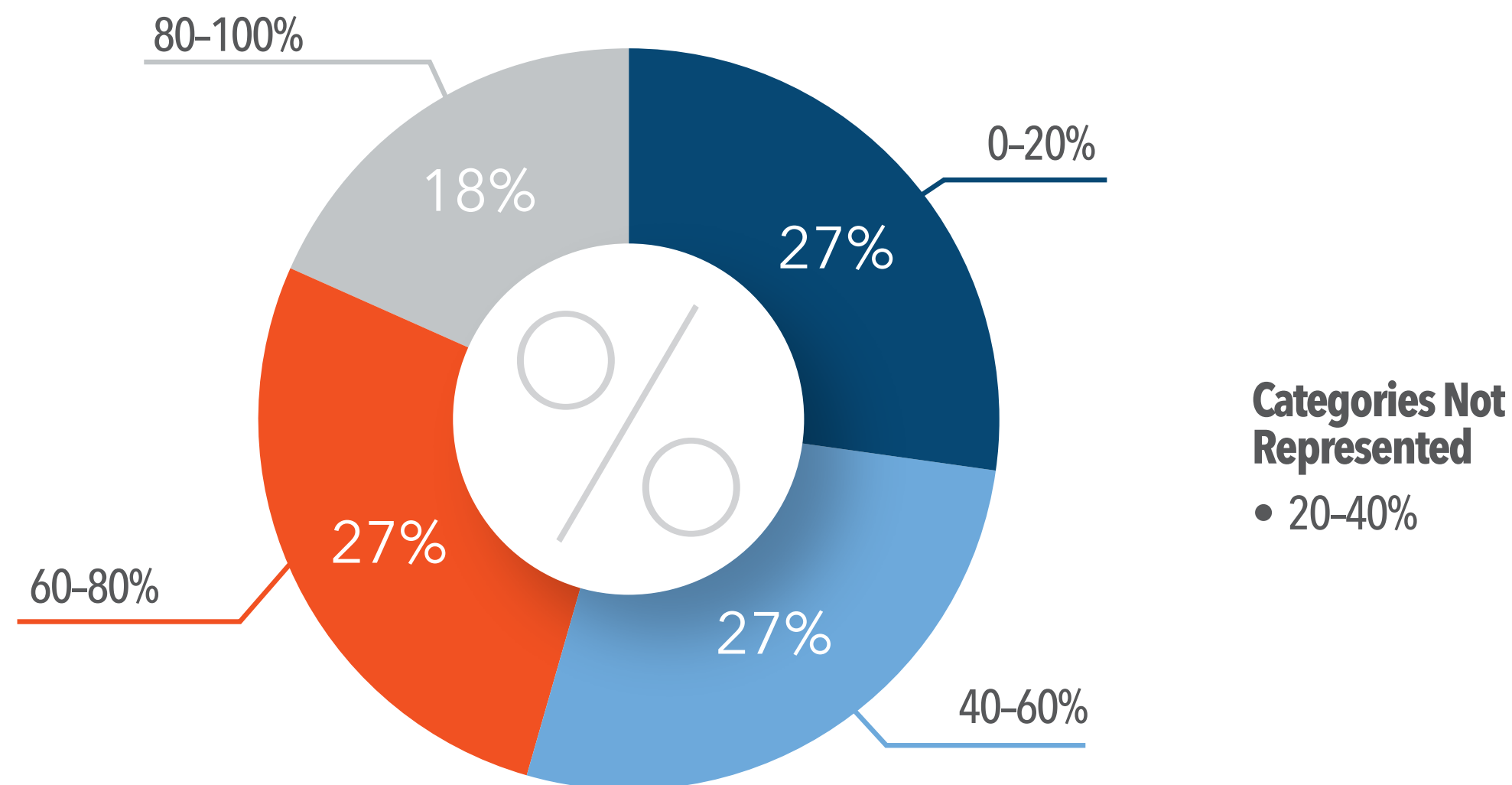
“We talked about starting a PBM, but felt like that wasn’t our core competency, so we decided consciously to partner with a PBM rather than start our own. Our legal group also felt that there was a significant amount of risk there.”

- Chief Pharmacy Officer, Leading Health System

Protecting 340B Status Continues to be a Priority

The 340B program is a valuable revenue source, which, despite recent legislative proposals to decrease the financial benefits of the program, remains an important part of the revenue stream for many specialty pharmacies

Percent of 340B Revenue Across LHS Specialty Pharmacy (2020)



Percentage of specialty pharmacy revenue from 340B

*Percentages may not equal 100 due to rounding.

Maintaining Revenue from 340B is Key For LHS

Nearly half (45%) of LHS stated that between 60-100% of their specialty pharmacy revenue comes from the 340B program. Further, 73% of entities nationwide dispense 340B drugs through an in-house pharmacy, with 27% contracting with outside pharmacies to dispense 340B drugs.¹

Recent proposals to reduce 340B program funding do not seem to have affected LHS' resolve to expand their specialty pharmacy services. Nonetheless, 340B payments are an important part of many LHS' pharmacy-associated revenue, and there is continued interest in protecting 340B status across LHS. LHS may continue to face headwinds in maintaining 340B revenue in the future. Although previous policy efforts to reduce 340B funding were unsuccessful,² CMS may attempt to re-implement proposed funding cuts, but in smaller amounts.³ LHS pharmacy executives indicate that the 340B program continues to be top of mind, and will continue to strongly advocate for the preservation of 340B benefits with their government relations teams.

¹ MedPac, May 2015 Report to The Congress: Overview of the 340B Drug Pricing Program.

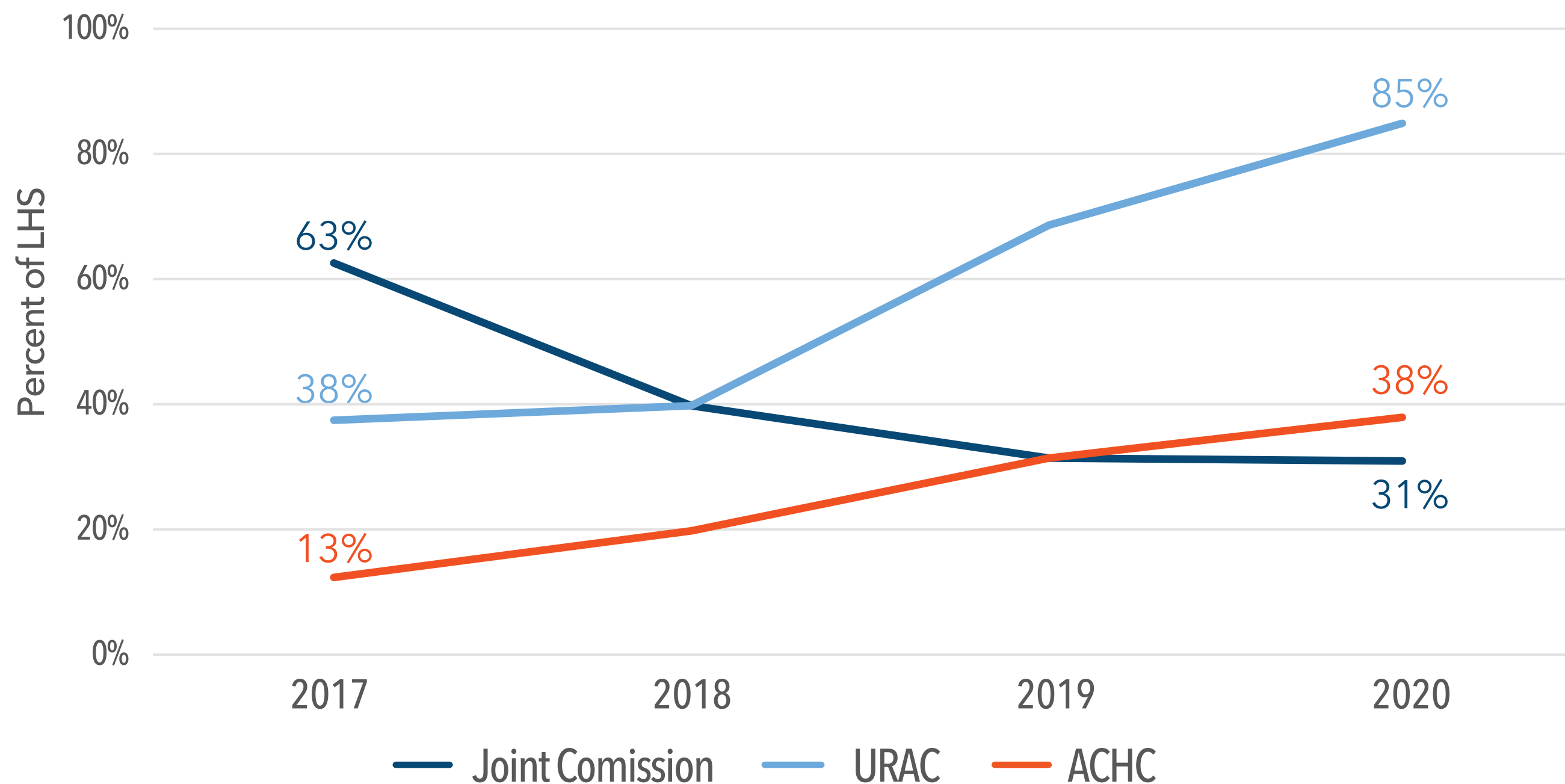
² Mintz, "340B..." Ellyn L. Sternfield.

³ Mintz, "CMS Takes..." Ellyn L. Sternfield.

Dual Accreditation Increasingly Important, URAC Leads in Growth

Many LHS expressed the view that achieving dual accreditation status is one tactic that improves the ability to access payer networks

Specialty Pharmacy Accreditation Across LHS (2017-2020)



*Percentages may not equal 100 due to rounding.

Dual Accreditation More Important, Common

In 2020, over three-quarters of LHS (85%) reported that they hold URAC accreditation, with smaller proportions also holding accreditation from either the ACHC (38%) or the Joint Commission (31%). Over three-quarters (77%) of LHS reported having at least two accreditations in 2020, a slight increase from 2019 (72%).

Accreditation continues to play an increasingly important role in validating specialty pharmacies' efficiency and quality, both from the perspective of payers and drug manufacturers. Since 2017, the proportion of LHS with Joint Commission accreditation of their pharmacy has fallen (from 63% in 2017 to 31% in 2020). A contributing factor for this change may be that URAC and ACHC have specialty pharmacy accreditation programs that are more narrowly tailored, while the Joint Commission's pharmacy accreditation sits within its Home Care Accreditation Program and encompasses a broad range of pharmacy providers.¹

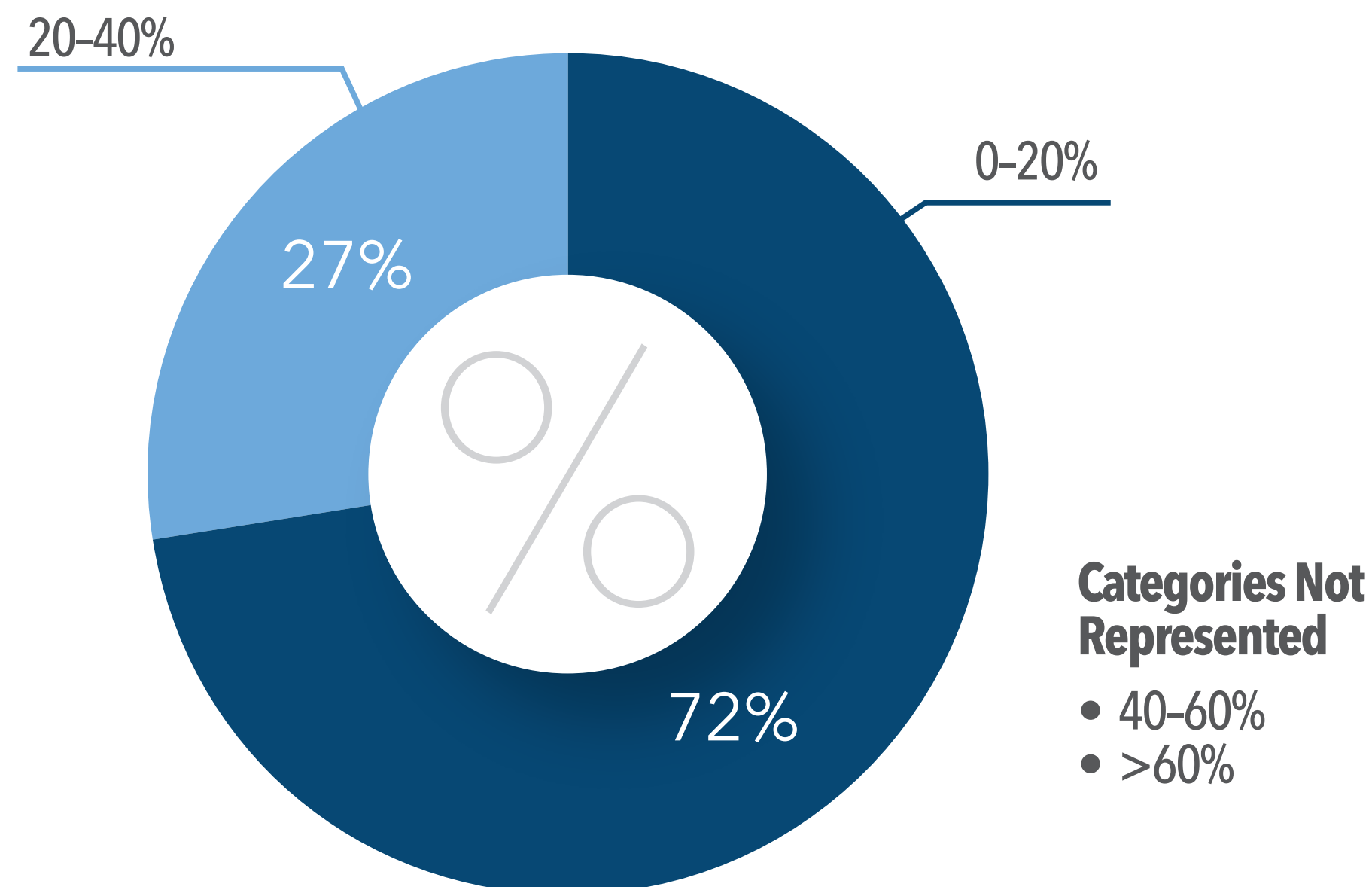
¹ Pharmacy Times, "Pursuing Specialty Pharmacy Accreditation," 2019.

Split Expectations on Growth in Medical Benefit Spending

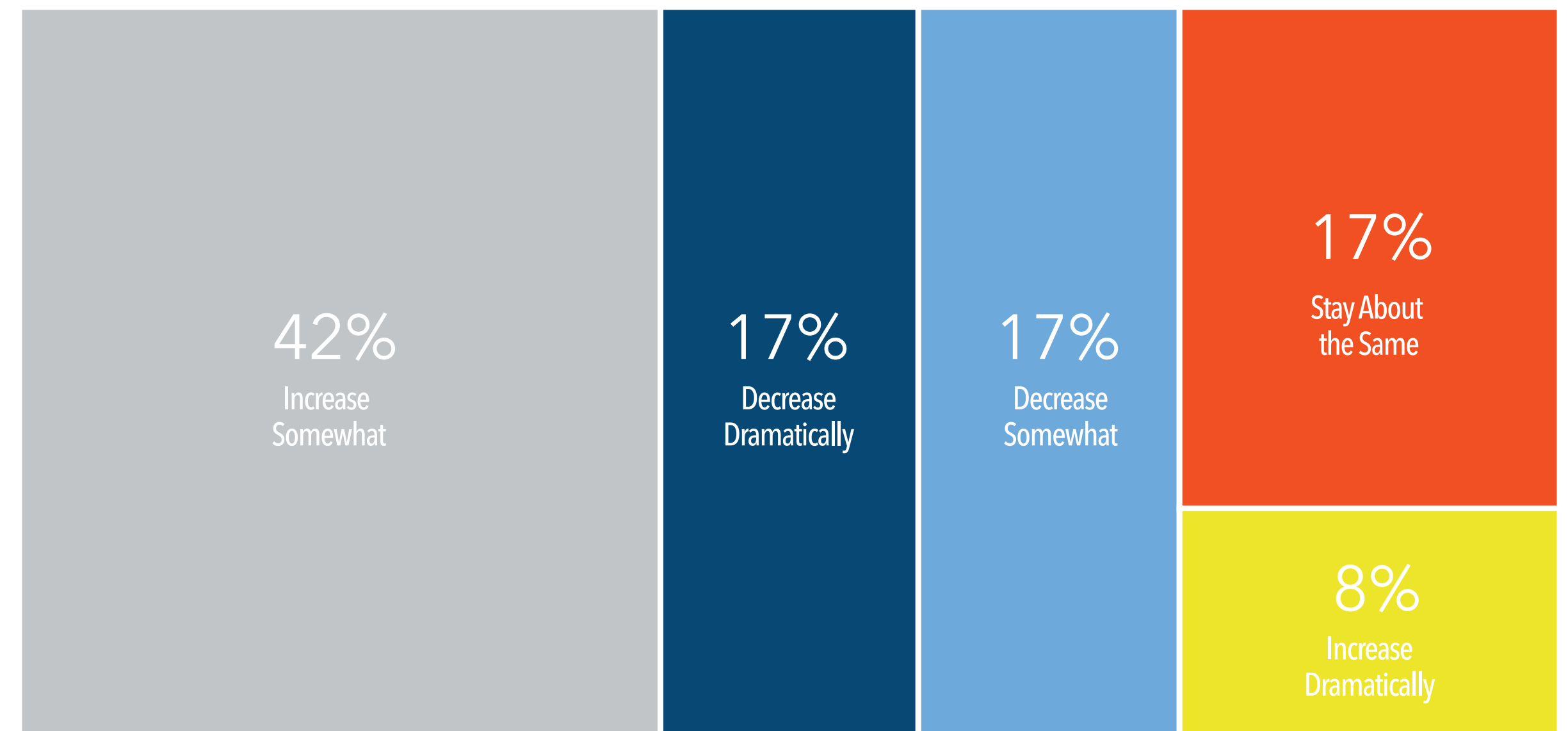
LHS are evenly split on their expectations for future changes to the percentage of medical benefit spending in specialty pharmacy

Although most LHS specialty pharmacy drug spending occurs under the pharmacy benefit, any increases in medical benefit spending would present unique challenges around billing, claims processing, and follow-up. LHS pharmacy leaders are often challenged with medical benefit codes that are less specific and detailed than pharmacy benefit codes, and medical benefit claims and prior authorizations are often less automated.¹

Proportion of Medical Benefit Spending for LHS Specialty Pharmacies (2020)



LHS Perspectives on Change in Medical Benefit Spend (2020)



*Percentages may not equal 100 due to rounding.

¹ CVS Health, "Managing Specialty Drug Spend Under the Medical Benefit," 2017.

Evolving Pharmacy for the Future

LHS Recognize the Need for Action in Specialty Pharmacy

As the specialty pharmacy market expands, and specialty medications increase in prevalence and importance, LHS are often faced with continually re-evaluating their strategy to either build internally, partner, or outsource

The LHS Approach to Specialty Pharmacy Decision-Making

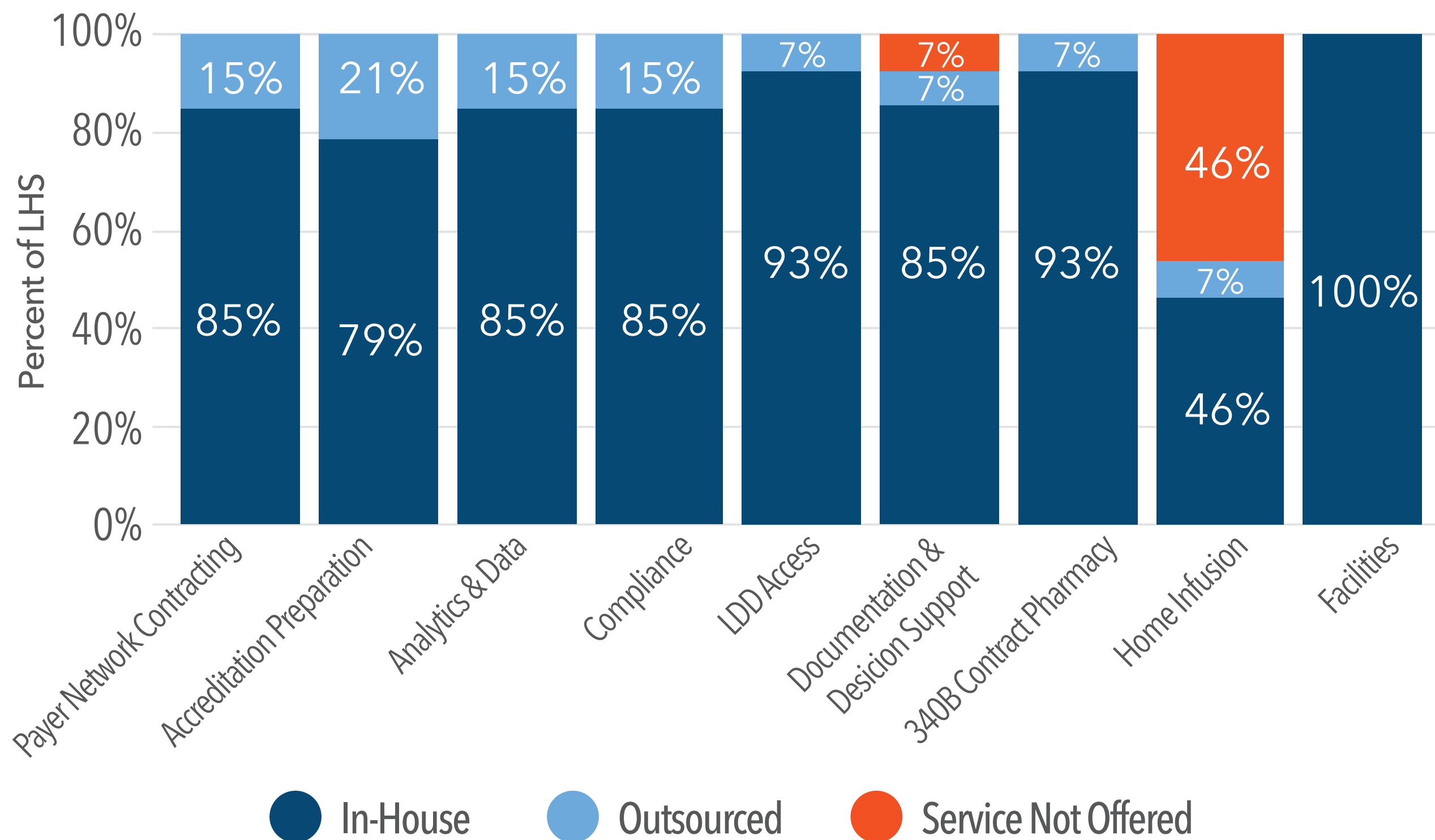


Model adapted from, "Indecision Is Not an Option: Understanding the Range of Business Models for Health-System Specialty Pharmacy." Pharmacy Times, 2018.

Most LHS Build Specialty Pharmacy Capabilities In-House

Among LHS who do outsource aspects of their specialty pharmacy services, accreditation preparation was the most commonly outsourced component of the specialty pharmacy business

Ownership and Partnership Structure in LHS Specialty Pharmacy (2020)



*Percentages may not equal 100 due to rounding.

LHS Partner or Outsource Few Specialty Pharmacy Services

The majority of LHS specialty pharmacies provide most of their services in-house. However, the most commonly outsourced components of LHS specialty pharmacies include accreditation preparation (21%), compliance (15%), analytics and data (15%), and contracting support for payer networks (15%).

Among LHS who do outsource, the primary rationale expressed for doing so was to gain specific specialty pharmacy expertise from their outsourcing partner. There were varied responses among LHS in their rationale for not outsourcing. The primary reasons for avoiding outsourcing were a desire to build up internal capabilities (79%), a lack of perceived improvement in financial (57%) or patient outcomes (57%), and the expense and capital requirements associated with outsourcing (50%).

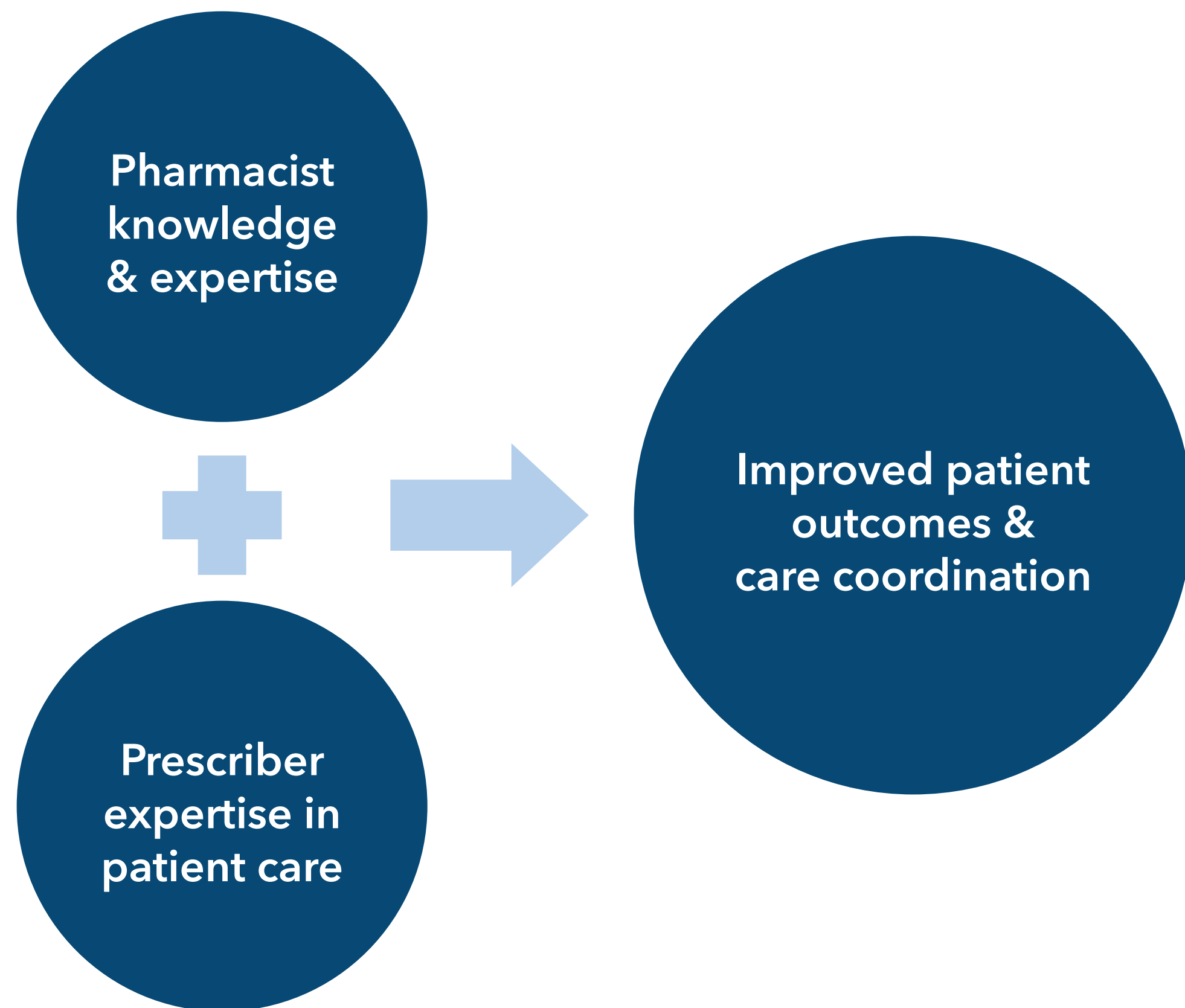
“The thing that I constantly struggle with is, what should I be centralizing? Should I build a warehouse? Should I have centralized purchasers? Who has centralized processes throughout the organization?”

- Chief Pharmacy Officer, Leading Health System

LHS Find Value in Specialty Pharmacy & Care Delivery Integration

LHS are expanding their views on the value and capabilities of specialty pharmacy services, and beginning to more fully integrate them into the care delivery process

Pharmacy's Role in Promoting Continuity of Care



One LHS' Description of Pharmacy's Clinical Value

"I think it's most important for people to understand the role that the health system can play in providing specialty pharmacy services and the true value that they can provide patients and providers when compared to national specialty pharmacy chains.

I usually like to give the example of a transplant patient. In the old model, you might have a patient who received a liver transplant and is being cared for by the best medical team in the world. But, when the physician gives the patient 14 different prescriptions after his transplant, all he can do is hope that the patient can afford all of the medications and he actually takes them. If the patient doesn't, his new organ will likely be rejected and he may end up in the emergency room a few weeks later.

So, our providers can do all of the best clinical work imaginable, but it's like carrying the football all the way to the 10-yard line and then being forced to walk away and let someone else take the football into the end zone. Now, with a specialty pharmacy that we fully own and control, we can continue to track that patient for as long as necessary to ensure they receive the care they need. It really allows us to close the loop and provide the full continuum of care for our patients, which is of the utmost importance for our health system as a whole." ¹

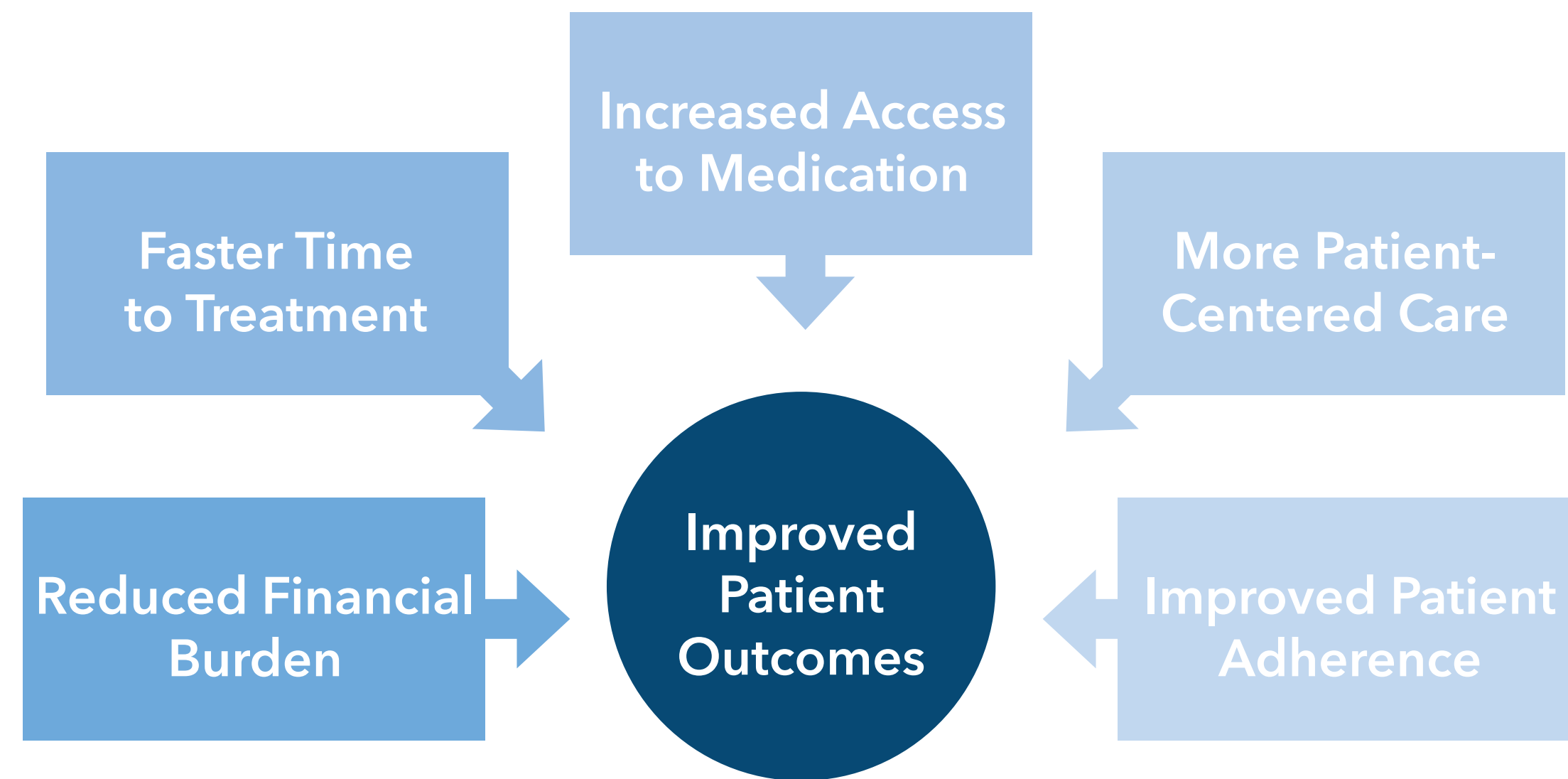
- Assistant Director of Pharmacy, Health System

¹ Pharmacy Times, "The Growing Role of the Health-System Specialty Pharmacy," 2018.

A LHS Approach to Clinical Integration

For one LHS with a clinically integrated and mature specialty pharmacy, integrating pharmacists as part of the care delivery team's workflow produced measurable benefits in patient outcomes

Clinical Integration to Support Improved Health Outcomes¹



"We're really trying to integrate pharmacy clinical services with our health plan to take a population health approach, in order to decrease costs and increase productivity."

- Director, Pharmacy Services, Leading Health System

New Staffing Structure and Roles¹

Staffing Model

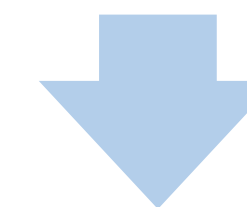


Each clinic is staffed with at least one clinical pharmacist and one pharmacy technician, who collaborate closely with clinical care providers.

Pharmacist Responsibilities



Pharmacists are responsible for medication selection, initiation, and monitoring. These responsibilities support patients' access to medication, and provide a care coordination touchpoint to identify any difficulties with medication cost or adherence.



Results for Patients



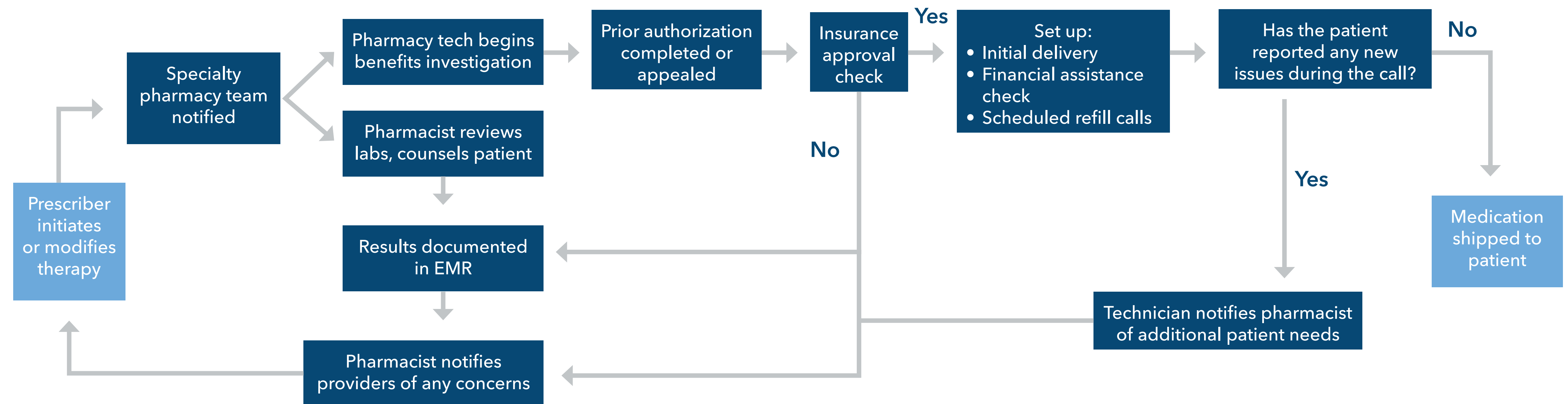
Applying and integrating pharmacists' specialized knowledge into the care process allows providers to practice at the top of their license. In addition, patients build stronger relationships with their pharmacy teams, which can lead to improved health outcomes.

¹ Bagwell, Autumn, et al. "Advancing Patient Care Through Specialty Pharmacy Services in an Academic Health System." Journal of Managed Care & Specialty Pharmacy, vol. 23, no. 8, 2017, pp. 815-820., doi:10.18553/jmcp.2017.23.8.815.

Improved Efficiency and Patient Outcomes Through Clinical Integration

For one LHS, closely linking the specialty pharmacy team with the care delivery team facilitated efficient and clear communication throughout the prescribing and care delivery process

Sample Workflow from an AMC's Integrated Specialty Pharmacy¹



- Integrating a pharmacist and pharmacy technician into the care delivery process through a defined workflow produced advantages in efficiency and outcomes.
- By incorporating multiple checkpoints between the pharmacists, pharmacy technician, and prescriber, improved outcomes were produced through verification of medication access, adherence, and efficient notification of any gaps in care.

¹ Bagwell, Autumn, et al. "Advancing Patient Care Through Specialty Pharmacy Services in an Academic Health System." *Journal of Managed Care & Specialty Pharmacy*, vol. 23, no. 8, 2017, pp. 815-820., doi:10.18553/jmcp.2017.23.8.815.

Future Outlook: Impact of COVID-19 on LHS Specialty Pharmacy

While navigating the challenges imposed by COVID-19, LHS specialty pharmacies will respond to the expansion of telehealth, financial pressures from a changing payer mix, and the need for continual workforce development



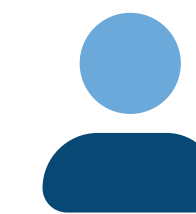
Telehealth Growth and Specialty Pharmacy

Spurred by the pandemic, telehealth has seen rapid expansion in several areas: technological infrastructure, adoption by providers and patients, in-home drug administration, and expansion of payment terms and use cases by both payers and government. However, provider visits for conditions requiring a specialty medication continue to occur in-office more often compared to visits for conditions that do not require a specialty medication.³ This may be because of the comparatively high-touch nature of specialty medications.



Changing Payer Mix

The economic downturn caused by the pandemic is likely to increase the number of Medicaid covered lives and decrease the number of commercially insured patients, as was observed following the recession of 2008-2009.⁴ The financial impact of this shift on LHS will largely be influenced by whether the local Medicaid market is fee-for-service or managed care, with fee-for-service environments having a greater negative impact on margins.⁴



Pharmacy Workforce Development

As LHS execute their COVID-19 recovery strategies, they are considering the evolution of the pharmacy workforce. Prior to the pandemic, there were indications that overall employment for pharmacists would remain flat until 2028,¹ and that less than half (37.7%) of PharmD graduates had specialty pharmacy training.² Post-COVID, the development of new vaccines or treatments and increased focus on pharmacists' role as providers may act to increase demand for pharmacists.

“What do people really want? How do we prevent an attack from PillPack? The perspective from the consumer group is going to help us start the shift.”

- Director, Pharmacy Services, Leading Health System

“As we develop expertise, we become a target for commercial specialty pharmacies who come in and want to pick off people from the health system, so we need to think about retention.”

- Chief Pharmacy Officer, Leading Health System

¹ US Bureau of Labor Statistics, “Occupational Outlook Handbook: Pharmacists.”

² Journal of Managed Care and Specialty Pharmacy, “Student Perspectives Regarding Specialty Pharmacy Within Doctor of Pharmacy Curricula.” 2019.

³ IQVIA, “Monitoring the Impact of COVID-19 on the Pharmaceutical Market,” June 8 2020.

⁴ ExceleraRx - Ben Duscher, May 28 2020.

Methodology

In March and April of 2020, The Health Management Academy administered a quantitative survey among pharmacy executives at Leading Health Systems regarding their specialty pharmacy programs. The 14 quantitative survey responses and 6 qualitative insight conversations represent 15 unique health systems. Respondent roles included Chief Pharmacy Officer, COO of Pharmacy, Pharmacy Director, Director of Specialty Pharmacy Operations, Director of Specialty Pharmacy, Corporate Director of Pharmacy, Assistant Director of Specialty Pharmacy, Vice President of Specialty and Retail Pharmacy, CEO of Pharmacy Services, and Vice President of Pharmacy Services. The responding health systems have an average Total Operating Revenue of \$4.7 Billion and operate a total of 150 hospitals. This research was funded in collaboration with CSI Specialty Pharmacy Group, an Intalere company.

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Participating Leading Health Systems



The Academy

The Health Management Academy (The Academy) brings together health system leaders and innovators to collectively address the industry's biggest challenges and opportunities. By assisting member executives to cultivate their peer networks, understand key trends, develop next-generation leaders, and partner to self-disrupt, they are better positioned to transform healthcare.



100 Health Systems

500+ C-suite Executives

2,000+ Health System Leaders

66%

Inpatient
Admissions

62%

Outpatient
Visits

67%

Total
Physicians

62%

Total Operating
Revenue